

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application)	
)	
of)	
)	Docket No. 2009-0048
MOLOKAI PUBLIC UTILITIES, INC.)	
)	
For review and approval of rate)	
increases; revised rate schedules; and)	
revised rules.)	
_____)	

**MOLOKAI PUBLIC UTILITIES, INC.'S
REBUTTAL TESTIMONY OF ROBERT L. O'BRIEN**

EXHIBITS MPU-R-1 TO MPU-R-11

and

CERTIFICATE OF SERVICE

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PUBLIC UTILITIES
COMMISSION

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COMES NOW, MOLOKAI PUBLIC UTILITIES, INC., by and through its attorneys,
Moriwara Lau & Fong LLP, hereby submits its Rebuttal Testimony of Robert L. O'Brien and
Exhibits MPU-R-1 to MPU-R-11 consistent with the Stipulated Regulatory Schedule (Exhibit "A")
contained in the Order Approving Proposed Procedural Order, as Modified, filed on November 6,
2009.

DATED: Honolulu, Hawaii, February 8, 2010.



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Attorneys for MOLOKAI PUBLIC UTILITIES, INC.

DIRECT TESTIMONY OF ROBERT L. O'BRIEN

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- Q. Please state your name and business address.
- A. My name is Robert O'Brien and my business address is 1753 Via Mazatlan, Rio Rico, Arizona 85648.
- Q. Are you the same Robert O'Brien who presented direct testimony in this proceeding?
- A. Yes, I am.
- Q. What is the purpose of your rebuttal testimony?
- A. I will provide rebuttal testimony to the direct testimony of Mr. Dean Nishina on behalf of the Consumer Advocate and also to the direct testimony of the witnesses on behalf of West Molokai Association.
- Q. Have you prepared an exhibit showing the differences between the Company and the Consumer Advocate?
- A. Yes, I have. Exhibit MPU R-1 shows the differences between the Company and the Consumer Advocate positions at present rates, temporary rates and proposed rates. Columns 1 to 6 show the Company data for the results at present rates, temporary rates and proposed rates as filed, adjustments as proposed by the Company and as adjusted respectively. The Consumer Advocate's presentation at present rates, temporary rates and proposed rates are shown in columns 7 to 9 respectively and the differences at proposed rates are shown in column 10.
- Q. Please identify the proposed adjustments shown in columns 4 and 5.

1 A. The proposed adjustments are listed on page 2 of Exhibit MPU-R-1 and, with the
2 exception of Adjustment A, will be discussed in connection with each of the
3 adjustments included in my rebuttal. Adjustment A on line 34 in column 4
4 reflects the change in the working capital amount included in rate base that results
5 directly from the changes in expenses shown in columns 4 and 5 on lines 7 to 19
6 of Exhibit MPU-R-1 in an amount equal to one-twelfth of the total expense
7 adjustments.

8 Q. Why have you shown the revenue based on the temporary rates for the Company
9 instead of the rates approved in 2003 as reflected in the Consumer Advocate's
10 proposal?

11 A. It is important to include the level of the temporary rates because those rates are
12 the actual rates used to calculate the customers' monthly bills at this time and at
13 the time the rates from this proceeding will be effective. It is that level that
14 should be used as the base to determine the impact on customers from the
15 proposed rates. The difference in the Consumer Advocate's revenues at
16 temporary rates and proposed rates, which reflects the average impact to the
17 customer based on the current bills, is \$151,430 (CA-121, line 16, column 9) an
18 increase of approximately 21.4 percent over the revenue at temporary rates of
19 \$706,007 (CA-121, line 14, column 8).

20 Q. Have you prepared an exhibit that shows the calculation of the percent increases
21 in proposed revenues compared the present revenues and proposed revenues?

1 A. Yes, I have. Exhibit MPU-R-2 contains the revenues for the Company (lines 1 to
2 5) and the Consumer Advocate (lines 8 to 12) at present rates, temporary rates and
3 proposed rates. The percent increases are shown on lines 6 and 7 for the
4 Company and on lines 13 and 14 for the Consumer Advocate. This clearly shows
5 that, under the Consumer Advocate's presentation, there should not be a phase-in
6 for the proposed rates using the Consumer Advocate's revenue amounts even
7 though one is recommended by Mr. Nishina on page 51 of his testimony. The
8 increase in the customers' bills under the Consumer Advocate's revenue increase
9 proposal is 21.4 percent as shown on line 14 and not the 109.7 percent shown on
10 line 13. Mr. Nishina proposes that the calculation of the percent impact on
11 customers in this case should be measured using the proposed rates and the last
12 approved rates (column 3, line 13). The use of the difference between the present
13 rates and the proposed rates clearly does not measure the impact on customers'
14 bills (and the resulting concern over rate shock) and should not be used to
15 determine rate shock. Any rate shock calculation should be a measurement of the
16 change in the customers' bills, which would be the difference in the proposed
17 rates and the temporary rates. The Commission should measure the relationship
18 between the revenues at the final approved rates to the revenues at temporary
19 rates in determining the actual impact on the customers and for any calculation of
20 rate shock from the final approved rates. In addition, as suggested by the
21 Consumer Advocate on page 51 of Mr. Nishina's testimony, the Commission
22 should be mindful of concerns with the Company's cash flow requirements.

1 Q. What are the areas of the Consumer Advocate's testimony that you will be
2 providing rebuttal testimony?

3 A. I will rebut the Consumer Advocate's proposed positions on:

- 4 • Revenue
- 5 • Salaries & Wages
- 6 • Employee Benefits and Payroll Taxes
- 7 • Fuel and Electricity Expense
- 8 • MIS Charges
- 9 • Material and Supplies
- 10 • Rate Case Expense
- 11 • Depreciation and Accumulated Depreciation
- 12 • Income Tax Expense and Related Rate Base Elements
- 13 • Rate of Return
- 14 • Excess Capacity
- 15 • Company Records

16 Q. What are the areas of the testimony from the West Molokai Association
17 ("WMA") on which you will provide rebuttal testimony?

18 A. I will provide rebuttal testimony concerning:

- 19 • Statements made by Mr. Durham regarding the conditions allegedly
20 experienced in the service territory of MPU
- 21 • Fuel and Power Expense

- Labor, Payroll Taxes and Employee Benefits
- Rate Case Expense and Amortization
- Rate Design and proposed rates

Q. Please describe the difference the Company has with the revenue proposals presented by the Consumer Advocate at present and temporary rates.

A. The only difference is with the rate used by the Company in its original filing and also used by the Consumer Advocate in calculating revenues from the water sales at the Kualapuu Tap shown on Exhibit MPU 11.4, line 11 in columns 3 and 6 and also used by the Consumer Advocate on Exhibit CA-121 on line 11 in columns 3 and 6. The rate shown by the Company of \$1.125 per thousand gallons ("TG") should have been \$1.250 per TG as reflected in the Company's tariff. This was recognized during the discovery process and should be corrected. Using the correct rate of \$1.250 per TG does not impact the proposed revenue but would result in an increase in the revenue at present rates and at temporary rates and a decrease in the amount and percent of the revenue increase.

Q. Have you prepared an exhibit showing the recalculated amounts?

A. Yes, I have. Exhibit MPU-R-3 contains two pages, page 1 showing the change in the Company's original Exhibit MPU 11 and page 2 showing a change in the Consumer Advocate's Exhibit CA-121 for the change in the present rate for the water sales at the Kualapuu Tap.

Q. Does this correction further reduce the impact on customers from the rate increase?

1 A. Yes, it has a minor impact on the percentage increase. The percentage increase
2 resulting from the Company's and the Consumer Advocate's proposed revenue
3 levels is shown on line 16A in column 9 of each page of Exhibit MPU-R-3. For
4 the Company, on page 1 it would decrease the percent of 74.6 percent shown on
5 Exhibit MPU-R-2, line 7 to 73.82 and for the Consumer Advocate it would reduce
6 the 21.4 percent shown on line 14 of Exhibit MPU-R-2 to 20.96.

7 Q. Other than that correction, does the Company adopt the Consumer Advocate's
8 recommended customer level, test year water sales and resulting revenues at
9 present rates and at temporary rates?

10 A. Yes. This is shown as Adjustment F on Exhibit MPU-R-1, column 4, lines 1 and
11 2.

12 Q. Please describe the Company's position on the Salaries and Wages ("S&W")
13 adjustment proposed by the Consumer Advocate.

14 A. The Company agrees with the Consumer Advocate for the removal of one
15 position as presented by Mr. Nishina. Removing Employee # 8, as shown on
16 Workpaper MPU 10.1, page 1 of 3, line 18 column 8 would reduce MPU test year
17 expenses for S&W by \$9,360. In addition, there would be a reduction in the
18 payroll taxes and employee benefits as presented on Workpaper MPU 10.1, page
19 2 of 3, line 17 which totals \$6,620 as shown in column 11. The total of these
20 reductions of \$15,980 ($\$9,360 + \$6,620 = \$15,980$) is removed from the
21 Company test year expenses on Exhibit MPU-R-1, line 7 in column 4 and
22 reflected as adjustment J. However, the Company does not agree with the other

1 Consumer Advocate adjustments to S&W. First, the Company objects to the
2 removal of the 3.0 percent wage increase granted to the employees working on
3 MPU matters as shown in the Company's filing. The fact is that the Company has
4 not given a general wage increase since 2002. The only increases have been for
5 obtaining certification and for changes in job assignments. In instances where an
6 employee was hired after 2002 there has been no increase from the hire date.
7 Under such circumstances, the Company believes these employees were entitled
8 to a modest increase. The Consumer Advocate does not present any comparative
9 data concerning the competitive nature of the jobs or the continuing level of
10 responsibilities for the employees. The only basis included on page 26 of Mr.
11 Nishina's testimony is the mention of current economic conditions and the
12 possibility that some customers of the Company could be facing pay decreases or
13 job losses. Mr. Nishina does not recognize that the Company's employees have
14 not had an increase in their base pay (except for ones related to certifications or
15 increased responsibilities) for two, three or seven years, depending on hire date,
16 during which time some of the customers are likely to have had pay raises. The
17 Company believes that the 3.0 percent pay increase that was effective on
18 September 1, 2009 should be included in the test year S&W expense.

19 Q. Do you agree with the Consumer Advocate's adjustment to remove 50 percent of
20 the test year medical and dental expense to impose the cost on the employees?

21 A. No, I do not.

22 Q. Please explain.

1 A. While the Company understands the nature of the current economic conditions,
2 which are somewhat improved from 2008 and early in 2009, the Company
3 believes it and its employees have recognized those conditions with the fact that
4 the employees have received no general wage increases for two to seven years
5 and to now impose an additional net pay reduction without other compensation
6 would be unfair to the employees. In addition, these benefits have been in effect
7 since the water department employees were brought over to the Company in 2002
8 when MPL did not renew its contract with Island Utility Services Limited, which
9 was the company performing the support services for the utility operations under
10 contract prior to that time. Finally, these benefits were part of the union
11 agreement which was first signed in 1999, and still in effect today, when the
12 employees joined the Company in 2002.

13 Q. Do you have a suggestion to address this concern in a future rate case?

14 A. Yes, I do. I suggest that the employee pay rates remain where they are today
15 together with the benefit levels that exist. The Company would commit, as done
16 in other instances where there are similar requirements for employees that require
17 review, to reduce the level of benefits paid by the Company and increase the level
18 of employee pay to provide some compensation for the reduction. The Company
19 would agree to provide such documentation in its next rate case and show the
20 reasonableness of its new compensation package by presenting comparative
21 standards. In this way, the employees are not penalized and the Company can

1 have an opportunity to make the changes, to the extent that comparable
2 compensation packages support the level suggested by the Consumer Advocate.

3 Q. Has the Consumer Advocate provided any support for the 50 percent reduction
4 proposed?

5 A. No. While the Company understands the reason for the Consumer Advocate's
6 concern, it believes that it should be given a chance to make a reasonable change
7 and update both its pay rates and benefits packages, which it could do with the
8 above proposal.

9 Q. Have you reviewed the Consumer Advocate's calculation of fuel and electricity
10 expense for the test year as presented on Exhibit CA-111 and the related
11 workpapers?

12 A. Yes, I have.

13 Q. Are there any changes that need to be made to the expense recommendations
14 shown on that exhibit?

15 A. Yes, there are. First, the Consumer Advocate, on page 30, lines 6 to 14 of Mr.
16 Nishina's testimony recommends against the use of automatic adjustment
17 surcharges, either the automatic power cost adjustment clause ("APCAC") or the
18 purchased fuel adjustment clause ("PFAC") in this proceeding stating that
19 reasonable values for unit costs of electricity should be used.

20 Q. Do you agree with that recommendation?

21 A. No, I do not. I think, especially for small water or wastewater utilities that have a
22 significant expense for either electricity purchases or fuel oil purchases, it is very

1 important to have these clauses. Significant changes in the prices for each of
2 these commodities can cause significant increases or decreases in the small utility
3 expenses which are extremely difficult for the small utility to fund. For example,
4 referring to Workpaper MPU 10.2, page 2, the charge per kWh in column 4
5 ranged from a low of \$0.2085 in April 2007 to a high of \$0.3932 in September
6 2008. This is an increase of almost 100 percent. An APCAC would have allowed
7 the Company to recover those price increases, which were the result of its
8 electricity supplier, Maui Electric Company ("MECO"), price changes to reflect
9 changes in its production costs or overall rates that would have been subject to the
10 Commission's approval or authorization.

11 Q. Is there another significant advantage to the utility and its customers from the
12 establishment of an APCAC?

13 A. Yes, there is. An APCAC will allow the utility to recover only its actual expense
14 for electricity purchased and not more (if the base rate is set using a high rate per
15 kWh) or less (if the base rate is set using a low rate per kWh). For example, if the
16 Commission were to establish the Company's water rates using the \$0.3932 per
17 kWh and the rate per kWh dropped to \$0.2085 after the water rates were
18 established, the utility would not have to pass that substantial decrease in expense
19 to the customers. Likewise, if the situation were reversed, the water rates would
20 have been set using the \$0.2085 and increased to \$0.3932, the utility would not be
21 able to recover that cost. However, with an APCAC, the utility would adjust its

1 charges to its water customers monthly to track the increases or decreases in this
2 major expense item over which the water utility has little control.

3 Q. Do you believe the same conditions are true for the fuel costs on MPU?

4 A. Yes, I do. The fuel costs are also a major cost for the Company and are also
5 subject to the same significant cost changes which are not under the control of the
6 Company. For example, referring to Workpaper MPU 10.2, pages 4 and 5 in
7 column 4, the price per gallon of fuel ranged from a low of \$2.762 in February
8 2007 to a high of \$4.918 in July 2008, an increase of almost 80 percent. In
9 addition, a PFAC would enable the Company to pass through changes in the cost
10 of fuel in the same manner discussed in connection with the electric costs.

11 Q. Does the WMA support the establishment of the APCAC and the PFAC?

12 A. Yes, it does.

13 Q. Since the Consumer Advocate recommends that neither an APCAC nor a PFAC
14 be established, do you believe the Consumer Advocate recommends a reasonable
15 base cost for either the electric expense or the fuel expense in this case?

16 A. No, I do not.

17 Q. Does Mr. Nishina use a value for the unit cost of electricity that is appropriate and
18 reasonable in setting base rates when there is no APCAC?

19 A. No, he does not. In my experience, when an APCAC is not used as part of a
20 utility's rate structure, the electricity expenses are established using a several year
21 average of the unit cost of electricity since those will fluctuate from month to
22 month and the base rates are established using electricity expense that is based on

1 a reasonable average that should not be at the high or low end of the historic cost
2 structure. This will serve to benefit the customer if the average rate is lower than
3 the current rate and will serve to benefit the utility if the average rate is higher
4 than the current rate. In addition, since the future unit rate is likely to change, use
5 of an average is fair to both customer and utility. On the other hand, when an
6 APCAC is used as part of a utility's rate structure, the most current unit rate is
7 normally used because that rate is adjusted monthly to reflect the changes in
8 electric charges. In that instance it does not matter if a current rate is higher or
9 lower than the average, the customer and utility are fairly treated since the charges
10 to the customer will reflect the changes in the electricity costs.

11 Q. Has the Consumer Advocate followed this procedure in the calculation of his
12 electricity expenses in this proceeding?

13 A. No. As shown on the workpaper calculating the electric cost of \$133,439 on line
14 1 column 7 of Exhibit CA-111, the Consumer Advocate has used the electricity
15 rate for each of the three meters serving MPU, during the month of June 2009
16 which is the lowest monthly rate for any of the 36 months shown on the schedule
17 for the Mahana pump and for the 9 months shown for the Puunana pump. In
18 addition, a review of the two recent months of November and December 2009
19 shows that the unit rate for the Mahana Pump was at \$0.2216 per kWh (compared
20 to the rate of \$0.182 per kWh used by the Consumer Advocate) and the rate for
21 the Puunana pump was at an average of \$0.3453 for those two months compared
22 to the rate for June 2009 used by the Consumer Advocate of \$0.302.

1 Q. What is the result of the Consumer Advocate's use of the lowest rate per kWh in
2 establishing the electric expense in this proceeding and, at the same time
3 recommending against the use of an automatic recovery clause to track changes in
4 the cost of electricity?

5 A. The result is that the Company will never have an opportunity to recover the costs
6 of electricity, even if the volumes used were accurate. Referring to the Mahana
7 Pump as the example, Exhibit MPU-R-5, column 3, lines 13, 26 and 39
8 respectively, the average rate per kWh was \$0.2267 for the year ended June 30,
9 2007; \$0.2629 for the year ended June 30, 2008 and \$0.2933 for the year ended
10 June 30, 2009. The rate for the month of June 2009 was \$0.1828 as used by the
11 Consumer Advocate, but that rate has since risen by approximately 23 percent in
12 the most recent six months. This shows that the only month the Company would
13 break-even with the electricity costs would have been the month of June 2009 and
14 suggests that the Company would not have been able to recover its electricity
15 costs for any other month in the three and one-half years where data is available.

16 Q. What do you recommend regarding the electricity rate that should be used in this
17 proceeding?

18 A. I recommend that, if an APCAC is used, the most recent rate, in this instance the
19 \$0.2347 average rate for November and December 2009 as shown on Exhibit
20 MPU-R-6, line 14 which is based on Exhibit MPU-R-4, columns 3, 6 and 9 on
21 line 6. If an APCAC is not used, the average of the three years ended June 30,
22 2007, 2008 and 2009 of \$0.3124 per kWh as shown on Exhibit MPU-R-5, line 40,

1 column 17. This matching of the long-term average rate per kWh with the
2 exclusion of the APCAC or the most current rate per kWh when an APCAC is
3 included as part of the Company's tariff. This correctly matches the unit rate with
4 the correct recovery procedures and provides a fair and reasonable rate to the
5 Company and its customers.

6 Q. You also mentioned that you do not agree with the Consumer Advocate's
7 establishment of the number of kWh being used in the calculation of the
8 electricity expense. Would you please explain what it is you do not agree with?

9 A. There are a number of elements of the Consumer Advocate's calculation that I
10 believe need to be changed. First, the Consumer Advocate's calculation uses the
11 test year water sales, which I do not have an issue with, as the starting point for
12 the calculation of the kWh needed to provide that level of water sales. However,
13 the calculation, as shown on CA-111, page 3 of 4, line 41, is based on the total
14 pro forma water sales in the test year of 126,800 TG which includes water sales
15 made to the customers at the Kualapuu Tap which should be excluded since that
16 water does not go through the Mahana Pump or the Puunana Pump. Second, the
17 percent being used by the Consumer Advocate of 10.0 percent for lost and
18 unaccounted for water has no support other than it is the same percent that the
19 Consumer Advocate recommended in the Docket 02-0371. The use of 10 percent
20 in this proceeding cannot be supported because it would totally disregard the
21 contractual obligation for the retention of water by MIS, the monthly cost of
22 which is included by the Consumer Advocate in the test year expenses, as well as

1 the need to use water in the treatment process. The Company would agree that,
2 once the known uses of water are accounted for, a maximum percent for lost and
3 unaccounted for water should be 10 percent. The Company, since the last case
4 has made improvements in its operations and treatment processes and has reduced
5 the lost and unaccounted for water and also reduced the water used in the water
6 treatment process.

7 Q. What do you recommend as a percent to be used to calculate the allowable water
8 pumpage at the Mahana pumps using the water sales excluding those at the
9 Kualapuu Tap?

10 A. As shown on Exhibit MPU-R-6, page 2, line 41, I would use the 103,900 TG for
11 sales at Kaluakoi only and allow for the treatment backwash water at 10.0 percent
12 as shown on line page 3, line 2. I would then use the 10% unaccounted for
13 percent recommended by the Consumer Advocate which I have shown on line 4
14 of page 3. This would result in a water pumped amount at the Mahana pumps of
15 23.46 percent above the water sales at Kaluakoi. As such, I have replaced the
16 Consumer Advocate water loss number of 10.0 percent shown on CA-111 page 3
17 of 4 with the 23.46 percent shown on Exhibit MPU-R-6, page 3, line 6, column 3.
18 As shown on Exhibit MPU-R-6, page 1, with an APCAC, the combination of the
19 above procedures and the use of the average kWh rate of \$0.2347 results in an
20 expense for electricity costs of \$153,849, a decrease of \$128,675 from the
21 Company's initial proposal and an increase of \$20,410 from the \$133,439

1 included by the Consumer Advocate. This is shown on Exhibit MPU-R-1,
2 column 5 as adjustment G.

3 Q. Referring to the Consumer Advocate's calculation of fuel expense, do you have
4 the same concerns regarding the price per unit and the number of units used for
5 the calculation of the fuel expense of \$170,241?

6 A. Yes, I do. Like with the electricity expense, the Consumer Advocate, in the
7 testimony of Mr. Nishina on page 30, lines 6 to 14, recommends against the
8 implementation of a PFAC but again uses a spot (one-month) cost per gallon of
9 fuel instead of an average. The Consumer Advocate used the delivery on January
10 5, 2009 as the spot price, which was at its lowest point since March 2008. As
11 with the pricing of electricity, if a PFAC is used, a spot price should be used to set
12 the expense in the rate case. However, if a PFAC is not used, the spot price
13 cannot be used. An average of the price for some longer period must be used to
14 establish a fair and reasonable level of expense for the Company and its
15 customers. However, in this case I believe the spot price used by the Consumer
16 Advocate is a reasonable estimate of the fuel prices for the longer term average.

17 Q. Please describe the differences you have concerning the calculations of the
18 pumpage and related fuel costs with the calculations made by the Consumer
19 Advocate.

20 A. The Consumer Advocate, as shown on its workpaper for fuel expense in Exhibit
21 CA-111, begins with the test year water sales for all customers of 126,800 TG
22 which is correct for MPU in total, but does not recognize that the sales are at

1 different locations and therefore can not be lumped together in this calculation. In
2 addition, the Consumer Advocate only allows an increase of 10 percent for water
3 losses from the Pump at Well 17 to the final delivery to the customers. This, as
4 discussed earlier in relation to the calculation of electric expense does not
5 recognize the required activities of the Company in transporting and treating the
6 water for delivery to its customers. With regard to the water sales, the Consumer
7 Advocate does not recognize the different locations where the water is sold and
8 second, by its own admission in the testimony of Mr. Nishina, in footnote 22 on
9 page 30 of his testimony, his recommended allowance of 10 percent for water
10 losses would include the 10 percent retention required by the DOA and also the
11 10 percent required by the treatment process. This is patently wrong. The
12 Company, in order to get the water from Well 17 to the customers at Kaluakoi,
13 must transport the water through the MIS and pay the monthly fee which has been
14 included in the expenses by the Consumer Advocate and must also adhere to the
15 requirement of the DOA to require the 10 percent water withholding to account
16 for evaporation and other losses while in the MIS. In addition, the Company is
17 required to treat the water before it delivers it to its customers, which treatment
18 process requires a backwash process that consumes an additional 10 percent of the
19 pumped water. Finally, we have the lost and unaccounted for water that would be
20 the "normal" lost and unaccounted for that is comparable to that of other
21 companies.

22 Q. Was the Company able to identify these factors in Docket No. 02-0371?

1 A. To some extent. The Company was able to identify the MIS contractual
2 withholding but was not able to quantify the water used for treatment or have any
3 data to support the sources of the other water losses. In that case the Company
4 had a significantly higher difference between the water pumped at Well 17 and
5 the water billed to customers. In that case the Consumer Advocate recommended
6 the same 10 percent level, but the case was settled so there was no finding of the
7 reasonable level of unaccounted for water would be for the Company.

8 Q. Is the 10 percent allowance for all of the differences between the water pumped at
9 Well 17 and the water sold to customers reasonable?

10 A. No, it is not. It does not recognize the facts that exist. The Company must use
11 the MIS or the water from Well 17 cannot get to the customers. The Company
12 must treat the water or it cannot safely be provided to its customers. Finally, the
13 Company does have some lost and unaccounted for water that must be recognized
14 in establishing a reasonable level of water production to account for all of these
15 things and the customer usage.

16 Q. What is the water pumpage you recommend based on these facts and a reasonable
17 cost for the oil required to pump at Well 17?

18 Q. As shown on Exhibit MPU-R-6, page 3, I start with the test year sales to
19 customers in Kaluakoi who receive water from the Pu'u Nana Treatment Plant
20 ("PTP") of 103,900 TG and provide for the 10 percent water usage at the PTP. In
21 this calculation the amount of water delivered to the plant is 115,444 TG less the
22 10 percent for treatment results in the 103,900 TG sold to customers. Column 2

1 shows the water used as a percent of the water produced and delivered to the PTP
2 while column 3 shows the same water amount as a percent of the water sales.
3 Next I have provided for the 10 percent lost and unaccounted for water. While
4 this will occur throughout the transportation and delivery system, I have included
5 it here to reflect the average for the system as opposed to including it at the four
6 separate transportation and delivery sections since most will come from the MIS
7 to the customer. In order to deliver 115,444 TG to the PTP after a 10 percent
8 water loss, there would be 128,271 TG pumped at the Mahana Pump. The next
9 step in the water delivery process is to move the water from Well 17 to the
10 Mahana Pump. During this process, the Company first provides water at the
11 Kualapuu Tap (line 10) and then through the MIS which requires a 10 percent
12 withholding to recognize the evaporation and seepage that occurs in the MIS.
13 This is reflected by the 14,252 TG shown on line 7 which would be the result of
14 10 percent times the water delivered to MIS after the usage at the Kualapuu Tap.
15 Once the 22,900 TG is added for the usage at the Kualapuu Tap, the total
16 pumpage at Well 17 of 165,424 TG is determined.

17 Q. Do you agree with the procedures used by the Consumer Advocate for the
18 remainder of the calculation?

19 A. Yes, I do. The 33 percent used to convert the water pumped into gallons of fuel is
20 the average percent I developed using water pumpage and fuel used for the period
21 from July 2006 to January 2009. It has ranged from a high of 35 percent to a low
22 of 31 percent for each of the six month periods reviewed. Using the calculated

1 pumpage required for the sales to customers for the test year of 165,424 TG and
2 the 33 percent conversion factor, I use 54,590 gallons of fuel. I have used the
3 \$3.6616 cost per gallon since, while it is a spot price at January 9, 2009, it is also
4 close to the average for the cost per gallon for the periods before and after. The
5 resulting pro forma fuel cost would be the \$199,887 and the average cost per TG
6 for use in the automatic adjustment clause, if the Commission adopts one in this
7 proceeding would be \$1.5764 per TG billed to customers. This is shown as
8 adjustment H on Exhibit MPU-R-1, column 5, line 9 in the amount of \$31,180.

9 Q. What is the total for the electricity and fuel expense the Company is supporting in
10 this proceeding?

11 A. As shown on Exhibit MPU-R-6, page 1, line 11, the total electric expense is
12 \$153,849 and as shown on page 3, the total fuel expense is \$199,887. Therefore
13 the total for electric and fuel expense is \$353,736 for the test year.

14 Q. Please explain the reduction in the Department of Agriculture ("DOA") expense
15 shown on line 10 of Exhibit MPU-R-1.

16 A. The Company is recommending a reduction in the DOA monthly rental charge to
17 reflect an error made by the DOA in the charges to MPU during 2008 and 2009
18 and reflected on the Company accounting records. The DOA's monthly billings
19 were \$12,038 which result in an annual expense of \$144,456. In an email
20 communication to MPU by the DOA on September 5, 2009, which was included
21 in Attachment CA-IR-6e (Part C), the DOA acknowledged an error and confirmed
22 that the monthly charge should have been \$11,375.75 for an annual expense of

1 \$136,497. This results in a decrease in the DOA rental charge of \$7,959 shown
2 on line 10 in column 4 of Exhibit MPU-R-1 as adjustment B.

3 Q. Please discuss the difference shown between the Consumer Advocate and MPU
4 with regard to the materials and supplies of \$71,573 shown on Exhibit MPU-R-1,
5 line 12, column 9.

6 A. There are three issues that need to be addressed. First, the Consumer Advocate
7 points out on page 32 of Mr. Nishina's testimony that there was a change in the
8 total amount of expenses presented by MPU between the years 2005 and 2006 as
9 clearly shown on Exhibit MPU 10. Second, I provide a reconciliation of the
10 Materials and Supplies balances shown in Mr. Nishina's testimony on page 33,
11 and finally I also address the correction of two errors made in the presentation of
12 the expenses for the years 2004 to 2008 on Exhibit MPU 10.

13 Q. When did you discover the errors you referred to above?

14 A. I discovered them in reviewing my exhibits and workpapers to provide rebuttal
15 testimony in this proceeding.

16 Q. Please discuss the errors you referred to regarding the data on Exhibit MPU 10.5
17 since those need to be corrected before the differences on MPU 10 can be
18 addressed.

19 A. The error on Exhibit MPU 10.5 contributed to the differences shown in Mr.
20 Nishina's testimony on page 33 in the table at the bottom of the page and also to
21 the changes required in the historic data on Exhibit MPU 10. I have included the
22 original Exhibit MPU 10.5 as page 1 of Exhibit MPU-R-7 which clearly shows

1 that there is an error in the addition on that exhibit. Referring to page 1, line 5 in
2 column 2 for the fiscal year ended ("FYE") 6-30-04, the total for the MPU Direct
3 Expenses is correctly shown as \$12,065. However the total for the year shown on
4 line 10 of \$17,956 is not correct. Since there are no additions in that year for
5 MPU charges from MPL on lines 6 to 9 the total should have been the same as the
6 total on line 5 of \$12,065, but it is not. The amount of \$17,956 on line 10 which
7 is the total of lines 2 to 5 is incorrect. Since this same formula was used for each
8 year through 2008 each year reflects an incorrect total on line 10 which was then
9 used on Exhibit MPU 10, line 12 in columns 1 to 5.

10 Q. Have you provided the correct totals?

11 A. Yes, I have. Exhibit MPU-R-7, page 2 shows the correct totals for each of the
12 historic years on line 11. As I stated, this does not impact on the pro forma
13 expense amounts shown in column 7 on both page 1 and page 2 since the pro
14 forma amounts were based on each line item and did not use the totals.

15 Q. Will you provide an updated Exhibit MPU 10 that reflects these corrections in the
16 historic data?

17 A. Yes, it is included as Exhibit MPU-R-8 and will be used in connection with the
18 change in the expenses from the FYE 6-30-05 to 6-30-06.

19 Q. Have you prepared a reconciliation to respond to the differences shown on page
20 33 of Mr. Nishina's testimony?

21 A. Yes, I have. Page 3 of Exhibit MPU-R-7 shows the reconciliation. Line 10
22 shows the amounts for each year 2004 to 2008 that were included on Attachment

1 CA-IR-54 column (and were also on the original Exhibit MPU 10.5). Lines 11
2 and 12, which are totaled on line 13 show the derivation of the amounts shown in
3 the column headed MPU 10 for each year. The differences on page 33 in the
4 difference column are shown on line 14 of Exhibit MPU-7, page 3.

5 Q. Do these differences have any bearing on the pro forma expenses for the
6 Materials and Supplies included by the Company for the test year?

7 A. No, they do not.

8 Q. On page 34, lines 1 to 7, Mr. Nishina states that he had difficulty reconciling
9 totals for the MPL charges to the detail provided in response to CA-IR-44, parts B
10 to D. Were you able to reconcile those items?

11 A. Yes, I was. With regard to the Materials and Supplies for the FYE 6-30-08, there
12 was a difference of \$71.66 (\$67,011.00 and \$66,939.34). Exhibit MPU-R-7, page
13 4, column 2, line 9 shows the \$67,011.00 included in the Materials and Supplies
14 recorded on MPL as shown on Exhibit MPU-7, page 1, line 6, column 6. Column
15 3 of page 4 shows the amounts included in each of the sub-accounts provided in
16 response to CA-IR-44, part D that total to the same amount with a slight rounding
17 difference. Three pages from CA-IR-11, Part D are included in Exhibit MPU-R-7
18 for convenient reference. The difference referred to by Mr. Nishina is shown on
19 line 5 of page 4 column 3. Regarding the reconciliation of the 2007 material and
20 supplies amounts, I have included the detail for that on lines 10 to 20 of Exhibit
21 MPU-7, page 4. I have also included the three pages from Attachment CA-IR-44,
22 Part C for convenient reference as part of this exhibit.

1 Q. Please describe what the error in presentation was with regard to the issue related
2 to the increase in expenses from FYE 6-30-05 to 6-30-06.

3 A. First, Mr. Nishina correctly states that prior to the accounting change in 2006
4 MPL was absorbing expenses that should have been charged to MPU for the
5 utility operations. However the difference is not as large as the numbers on
6 Exhibit MPU 10, columns 2 and 3 show. In my review of my presentation of the
7 historic data, which was designed to make it easier to compare historic periods
8 with different expense recording procedures, I inadvertently double counted some
9 of the expense shown on the Cost of Service line for 2006 to 2008. This can be
10 easily verified by reference to Exhibits MPU 10, MPU 10.1 and MPU 10.4 in the
11 Company's filing. I have included those pages in Exhibit MPU-R-8 for
12 convenient reference. Referring to the amount of \$209,708 on Exhibit MPU-R-8,
13 page 1 (MPU-10) line 8, column 3 and also the amount of \$238,425 on line 11 in
14 column 3 for the FYE 6-30-05, the \$209,708 for labor, taxes and benefits comes
15 from page 2 of Exhibit MPU-R-8 (MPU 10.1) on line 24 in column 4 and the
16 \$238,425 for cost of sales comes from page 3 of Exhibit MPU-R-8, on line 21 in
17 column 4 for FYE 6-30-06. Both pages 2 and 3 show an amount of \$54,806 for
18 salaries and wages (line 4 on page 2 and line 6 on page 3). This shows that the
19 \$54,806 was included on both lines on page 1 of Exhibit MPU-R-8 (MPU 10).
20 The same is true for the \$31,869 for employee benefits in column 4 on line 14 of
21 page 2 and line 7 on page 3. Finally the amount for payroll taxes has likewise
22 been double counted on the summary page as shown by the \$4,707 in column 4,

1 line 21 of page 2 and line 8 of page 3. These amounts should not be reflected in
2 both lines on page 1 of Exhibit MPU-R-8 (MPU 10) as they are now.

3 Q. Is this duplication on MPU-10 included for all of the amounts reflected on Exhibit
4 MPU 10.4 for the cost of good sold?

5 A. Yes it is for the FYE 6-30-06 to 6-30-08.

6 Q. What changes need to be made to correct for this double counting on the summary
7 exhibit?

8 A. Referring to Exhibit MPU-R-8, page 1, the amounts on line 11 for the FYE
9 6-30-06 to 6-30-08 need to be shown as zero since the amounts that total to the
10 figures shown are also included with the other exhibits as referenced on Exhibit
11 MPU-R-8, page 3 (MPU 10.4).

12 Q. Have you prepared an exhibit showing that change?

13 A. Yes, I have. Exhibit MPU-8, page 4 reflects the change to remove the duplication
14 in the summary expenses shown on Exhibit MPU 10.

15 Q. Now that those have been removed, what is the difference between the expenses
16 reflected for FYE 6-30-05 and FYE 6-30-06?

17 A. The differences are shown on page 5 of Exhibit MPU-R-8.

18 Q. Have the amounts shown on page 5 been corrected for the errors discussed above
19 related to Exhibit MPU 10.5?

20 A. No, they have not. I wanted to use the amounts in the initial filing for the
21 explanation of the double counting of the cost of sales on the summary schedule
22 and do not believe the correction of the amounts from Exhibit MPU 10.5 will

1 change the explanation of the difference. However I have included a corrected
2 comparison on page 6 of Exhibit MPU-R-8.

3 Q. Please describe page 5 of that exhibit.

4 A. First, as shown on line 9, the totals for FYE 6-30-05 and 6-30-06 are the same
5 totals as shown on page 1 of this exhibit. Likewise, the totals on line 7 of page 5
6 are the same totals as shown on page 6 of this exhibit. I have identified four
7 accounts where there was a significant increase in expense between the two years
8 as shown on lines 1 to 4. The remaining expenses do not show significant
9 changes. Referring to lines 1 and 2 for fuel and power expense and depreciation,
10 there was an increase of approximately \$190,000 or approximately 51 percent of
11 the total difference on line 7. The difference in salaries, taxes and benefits plus
12 the difference in materials and supplies reflect part of the subsidy that was being
13 provided by MPL prior to the accounting change.

14 Q. Are those differences significant?

15 A. While the amounts are significant, the change in accounting removed the subsidy.
16 The level of expenses shown on each exhibit from MPU 10.1 to MPU 10.14
17 reflect the actual charges for services provided by MPU to its customers. These
18 charges were supported by the Historical Detailed Trial Balances for MPL
19 charges in 2006 to 2008 (samples of which are included in Exhibit MPU-R-8) and
20 similar documents for MPU charges. These show every expense by item and are
21 supported by invoices and other documents which have been provided when
22 requested.

1 Q. Please summarize your rebuttal testimony regarding the test year amount for
2 materials and supplies and how the Consumer Advocate's adjustment should be
3 treated.

4 A. The Consumer Advocate's adjustment to remove the pro forma test year amount
5 of \$71,573 should be rejected. While I am sorry for the errors I made and
6 corrected in rebuttal, I believe the Company has provided sufficient
7 documentation supporting the level and amounts of the pro forma test year
8 expense for materials and supplies.

9 Q. Do you have an opinion on the Consumer Advocate's recommendation for the
10 level of regulatory expense that should be allowed in this proceeding?

11 A. Yes, I do.

12 Q. Please summarize the Consumer Advocate's position regarding the regulatory
13 expense that should be included in this proceeding.

14 A. The Consumer Advocate adopts the amounts presented by the Company in its
15 initial filing and also uses the three-year amortization period. However, the
16 Consumer Advocate, on pages 35 to 37 of Mr. Nishina's testimony, expressed
17 opinions on the additional costs incurred by the Company and also on the need for
18 the inclusion of costs related to the audit required by order of the Commission.

19 Q. Do you agree with the opinions of the Consumer Advocate as expressed?

20 A. No, I do not and will provide responses and detail to support the increase of the
21 Company's initial estimate and show that it was almost all related to the
22 intervention of the parties in this proceeding. Exhibit MPU-R-9 provides an

1 update of the expenses presented on Exhibit MPU 10.10 and shows that the
2 Company expects to incur \$377,383 in total legal and regulatory costs in
3 connection with this rate application and processing. This is approximately
4 \$213,000 over the initial estimate of \$165,000 included on Exhibit MPU 10.10.
5 The major reason for this increase is the intervention requested by Stand for
6 Water, the County of Maui, and West Molokai Association which caused the
7 Company to incur additional legal costs which are included in the preparation and
8 filing phase as shown on response to CA-IR-49a since they were incurred prior to
9 the discovery phase of the proceeding. In addition, the increases in the other
10 categories are direct results of the significant increase in discovery and other
11 activities related to the intervention allowed in the proceeding.

12 Q. Can you provide examples of rate case costs for other small water and wastewater
13 companies where you have participated in the filing and processing of rate cases
14 in Hawaii?

15 A. Yes, I can. Over the last three or four years I have participated in filing and
16 processing of eight cases and have prepared budgets for legal and regulatory fees
17 for each. On average, as shown on Exhibit MPU-R-10, the estimates for those
18 cases included approximately \$130,000 for the preparation and filing, discovery
19 and settlement/rebuttal phases and \$35,000 for the hearing and briefing phase. In
20 most of those cases there were no requests for intervention and there were no
21 hearings because the parties reached settlement. The actual costs for the
22 preparation and filing and the discovery and settlement phases were close to the

1 initial estimates and the costs for the hearing were removed since the cases were
2 settled. In one or two instances where there were requests for intervention, the
3 legal costs were slightly higher, mainly because intervention was denied or only
4 limited intervention was granted by the Commission.

5 Q. Can those cases be compared with this case in regard to the regulatory expense to
6 be amortized?

7 A. They can to the extent of the initial estimate only. The initial estimate for the
8 preparation and filing and discovery and settlement phases of \$125,000, shown on
9 line 6, column 2 of Exhibit MPU-R-10, in this case is in line with the average of
10 the estimates and final costs of those other cases. However, since there was
11 limited or no intervention requested or allowed in those proceedings, that's where
12 the comparison ends.

13 Q. Please briefly describe why the costs for the discovery phase increased from the
14 initial estimate.

15 A. The regulatory costs increased for two basic reasons. First, the addition of three
16 intervenors, two of which submitted information requests and one of those
17 submitted a substantial amount of information requests. Second, the Consumer
18 Advocate's information requests seemed to be higher than the other cases,
19 probably, as stated by Mr. Nishina in his testimony on page 17 to 19 that,
20 "...given the possible threat of having services terminated, having greater interest
21 by possible intervenors or participants should not come as a surprise."

22 Q. Did the "greater interest" come as a surprise?

1 A. The greater interest was not a surprise, but the Company had no basis to revise its
2 rate case expense estimates without knowing the extent of that interest. In
3 addition, since rate case expenses are normally updated during the proceeding,
4 there was no reason to guess at the type and scope of this greater interest.

5 Q. Has the Company included the costs of the audit required by the Commission and
6 recommended by the Consumer Advocate?

7 A. Yes, it has. That cost of \$23,665 as shown on line 21 of Exhibit MPU-R-9 should
8 be included as part of the costs for the processing of this rate case application
9 which was required to be filed by the Commission pursuant to its Order Denying
10 Molokai Public Utilities, Inc.'s Request to Submit Its Unaudited Financial
11 Statements in Lieu of Audited Financial Statements dated April 2, 1009. In
12 addition, since the audit report issued by KPMG LLP provided a clean opinion
13 and also provided support for the amounts reflected on the Company's books and
14 records, the audit costs should be allowed.

15 Q. The Consumer Advocate, in CA-T-1 on page 37, lines 6 to 8 questions why a
16 subsidiary in a consolidated group would not have some form of audited financial
17 statements by the statement, "[F]or companies with parent companies that are
18 audited, however, it is not clear why the audit of those parent companies would
19 not entail an audit or review of subsidiary financial statements as part of the
20 consolidation process." In your experience, does the audit of a consolidated
21 company normally entail the audit of a small subsidiary operation such as MPU?

1 A. No, it does not. The audit of a consolidated company would normally entail a
2 review at some level, of the operating subsidiaries but would not normally have
3 those financials audited. Depending on the size of the parent, the size and number
4 of the subsidiaries and the activities of the companies, a subsidiary review would
5 normally not be sufficient to satisfy the requirement of an audited statement. In
6 any event, the Consumer Advocate did not recommend that the Company produce
7 financial statements that were reviewed as part of a consolidated audit report. The
8 Consumer Advocate recommended a complete independent audit to be filed with
9 the application and, when the Commission adopted that recommendation, the
10 application that the Commission required the Company to file was rejected and
11 needed to be refilled. The Consumer Advocate, being the party that required the
12 audit, which provided support for the amounts recorded on the Company's books
13 and records, should not now be allowed to recommend that those specific costs be
14 disallowed for recovery as part of the rate case expenses in this proceeding. It is
15 significant to note that in all the "small" rate case I have been involved with in
16 Hawaii, the Consumer Advocate has not opposed, and the Commission has
17 approved, the waiver of the audited financial statement requirement.

18 Q. What is the total amount of regulatory costs estimated for this proceeding and the
19 amount of the annual amortization that should be included in rate base?

20 A. As shown on Exhibit MPU-R-9, line 22, the total costs are \$377,383 and the
21 annual amortization would be \$125,794 using the three-year period. The

1 adjustment for this change is shown on Exhibit MPU-R-1, column 4, line 18 as
2 adjustment C in the amount of \$70,794.

3 Q. Do you have any differences with the calculation of the taxes other than income
4 ("TOTI") presented by the Consumer Advocate?

5 A. No, I do not. While we have differences in the amount of TOTI, both the
6 Consumer Advocate and the Company have used the same procedures and the
7 same rates. The differences in the amounts are due to the differences in revenues
8 at either present or proposed rates.

9 Q. What is your understanding of the Consumer Advocate's position on depreciation
10 expense on the Company plant in service?

11 A. As I understand the Consumer Advocate's position, it is recommending that all
12 depreciation be disallowed where the Company does not show that depreciation is
13 also taken for tax purposes, which is stated on page 45, lines 15 to 19 of Mr.
14 Nishina's testimony.

15 Q. Do you understand the reasoning provided for this exclusion?

16 A. It is my understanding that, since the Company cannot provide a complete dollar
17 for dollar reconciliation of the plant depreciated for tax purposes, it should not be
18 allowed to have depreciation for book purposes included in the rates set in this
19 proceeding.

20 Q. Has the Company provided the Consumer Advocate with support for the plant in
21 service reflected on Exhibit CA-103?

1 A. Yes, with regard to the plant reflected on lines 2 to 23 in the amount of
2 \$1,553,887, the Company, in response to Consumer Advocate information
3 requests, provided supporting documentation for projects as requested and
4 specifically for the amount of \$1,012,378 for the Puunana Treatment Plant shown
5 on line 12. The Company did not provide detail supporting data for the plant
6 balance of \$4,931,896 shown on line 1 which is fully depreciated as shown on
7 Exhibit CA-104, line 1 and therefore not included in rate base or included in
8 depreciation expense.

9 Q. Does the Consumer Advocate believe that the \$1.5 million of plant in service is
10 not used and useful and providing service to customers?

11 A. With the exception of the Consumer Advocate's claim that recent changes in the
12 customers being served by MPU have made part of that plant in some fashion
13 excess capacity, to my knowledge there is no assertion that the plant is not used or
14 useful in providing service to customers.

15 Q. In your opinion, does the fact that the Company has not been able to reconcile the
16 plant depreciated for book purposes and the plant depreciated for tax purposes
17 mean that there should be a disallowance of depreciation on book plant that has
18 been supported as to the original cost and is providing service to customers?

19 A. No, I do not see any valid reason that the lack of such reconciliation should be
20 used to deny recovery of the book depreciation.

21 Q. Please summarize the difference between book and tax depreciable plant as
22 presented for MPU.

1 A. First, I would remove the \$4,931,896 of fully depreciable plant which is shown on
2 Exhibits CA-103, 104 and 106 on line 1 of each of those exhibits. Second,
3 referring to the Company's response to CA-IR-28 which is referenced, but
4 mischaracterized by the Consumer Advocate on page 45, lines 3 to 13, the data
5 provided in that response does show that the difference between book and tax
6 depreciable plant is \$1,152,906 and also shows that the Company has determined
7 that the PTP in the amount of \$1,012,378 (together with another smaller amount
8 of \$,3351) is being depreciated for book purposes but not for tax purposes based
9 on a review of the tax accountants, workpapers and tax returns for 2005 and 2006.
10 The reason provided to me by the tax accountant was that the tax accountant
11 thought this plant addition was not closed to plant but was transferred to another
12 asset account on the Company's books. Under this erroneous assumption, the tax
13 accountant did not add that plant to the depreciable plant for tax purposes, but
14 more importantly, did not expense that item for tax purposes. The Company,
15 back in 2005 and 2006, did not reconcile the book and tax plant additions and
16 therefore did not identify or address the error. My discussions with the tax
17 accountant and the tax accountant's workpapers were provided to the Consumer
18 Advocate to support the findings regarding this significant portion of the
19 difference. Therefore the Company and I believe that the "assertion" as it is
20 presented by the Consumer Advocate is in fact supported by documentation and
21 now by my sworn testimony. As such, to continue to assert that \$1.5 million of
22 plant, which has been supported by invoice and other documentation requested by

1 the Consumer Advocate, should not be depreciated for book purposes because the
2 remaining \$140,000 was not documented cannot be adopted. The Company's
3 decision to stop the reconciliation was based in large part on the statement by the
4 tax accountant to me that they were not sure they would be able to easily locate
5 the older records or have personnel that worked on those records to explain them.

6 Q. Did the Consumer Advocate at least recommend allowing depreciation on the
7 \$400,000 of utility plant that was included on the tax depreciation list?

8 A. No, it did not. The position, as I understand it, is that because the Company did
9 not pursue and reconcile the remaining 8 percent of the plant balance depreciation
10 on the entire plant should be removed from setting rates in this proceeding.

11 Q. What is your recommendation regarding the Consumer Advocate's position to
12 disallow virtually all of the book depreciation?

13 A. I recommend that the Consumer Advocate's removal of the depreciation expense
14 be rejected and the depreciation on the \$1,553,887 in asset value be allowed.
15 That depreciation is calculated on Exhibit MPU 9.4 and would include the sub-
16 total on line 10 in column 8 of \$8,627 plus the subtotal on line 23 in column 8 of
17 \$71,193 plus the amount recommended by the Consumer Advocate on Exhibit
18 CA-105 line 31 of \$4,658. The total depreciation expense would be \$84,478, a
19 decrease of \$8,001 from the Company's original number of \$92,479 and an
20 increase of \$78,891 from the Consumer Advocates depreciation expense of
21 \$5,587 as shown on Exhibit MPU-R-1. The adjustment to the Company
22 depreciation expense is shown as adjustment D on Exhibit MPU-R-1.

1 Q. Does this change the accumulated depreciation shown on the Company and
2 Consumer Advocate presentations?

3 A. Yes, it does. Those changes are reflected on page 1 of Exhibit MPU-R-1 on line
4 28 in column 4.

5 Q. Please summarize the Company's recommendation for income tax expense in this
6 proceeding.

7 A. The Company has recommended that all elements related to income taxes be
8 removed from the rate setting process in this proceeding mainly because of the net
9 operating losses ("NOL") that exist for MPU as a stand alone company and also
10 for the consolidated return in which MPU is included. The Consumer Advocate,
11 on pages 38 to 41 of Mr. Nishina's testimony, recognizes that the impact of
12 income tax related elements in this case is small but believes that, "...the principal
13 of the matter should be addressed." The Consumer Advocate then proposes three
14 alternatives to obtain appropriate values for all of the income tax components.
15 First, that the instant proceeding be suspended until the matter is resolved. The
16 second alternative is for the instant application to be dismissed and a new
17 application filed with appropriate values. Finally, the Consumer Advocate
18 proposes that the Company provide its best estimates of the ADIT and HSCGETC
19 that should be calculated as if the Company had properly recorded and taken these
20 appropriate tax benefits.

21 Q. Do you believe any of these options should be adopted by the Commission?

1 A. No, I do not. I think all three of the Consumer Advocate's recommended
2 alternatives should be rejected. I believe the facts in this case are that MPU as a
3 stand alone entity has not had taxable income in the past and therefore would not
4 have been able to use accelerated tax depreciation or take the tax credits provided
5 by the HSCGETC and therefore there would be no "benefits" of tax savings or
6 deferrals to be used as a rate base deduction. In addition, because the level of the
7 stand alone NOLs is significant, it is likely that the Company will not have
8 income tax payment requirements in the near or reasonably foreseeable future. In
9 addition, the customers have not had provisions for income taxes included in
10 setting the current rates and therefore have not provided the Company with funds
11 to pay income taxes that would have been deferred by the use of accelerated tax
12 depreciation or saved through the HSCGETC. Under these conditions, which are
13 not disputed by the Consumer Advocate, there should be no provision for income
14 tax expense and there have been no benefits from the historic use of accelerated
15 tax depreciation or tax savings from the HSCGETC. The Consumer Advocate
16 would have us believe that the use of ADIT and the HSCGETC is a right at all
17 times. I think this is wrong.

18 Q. Under what conditions do you believe that the customer must be provided with
19 the ADIT and HSCGETC reductions to rate base?

20 A. I think those rate base reductions are appropriate when customers have provided
21 the utility with funds through rates that include an income tax expense
22 component, but those income taxes are deferred (ADIT) or saved (HSCGETC).

1 In those instances, the customer has provided funds to the Company to pay taxes
2 that have been deferred or saved and those funds should be used to reduce rate
3 base since they have reduced the amount of capital required by the Company to
4 fund investment. If the customers' rates have not included an income tax expense
5 component, the customer has paid no income taxes and therefore the Company
6 has not received any funds to offset those required to fund the plant investment.
7 No one should be given a free ride, not the Company and not the customer. In
8 this case, on a stand alone basis, the customers have not paid rates that included a
9 provision for income tax expense and therefore have not provided funds that
10 could be deferred.

11 Q. How do you recommend that the Commission address the income tax expense and
12 related income tax elements in this proceeding?

13 A. I believe that the Commission should exclude each of the elements from the
14 determination of rates in this case.

15 Q. What is the Consumer Advocate's position on rate of return as you understand it?

16 A. The Consumer Advocate proposes that the Commission should only consider a
17 breakeven level regarding rate of return which, based on the Consumer
18 Advocate's schedules and other portions of the testimony, means that the
19 Commission should deny the Company any rate of return in this proceeding.

20 Q. What do you see to be the reasons for the Consumer Advocate's recommendation
21 to deny a rate of return to the Company?

1 A. There are three reasons presented by the Consumer Advocate. First is the ADIT
2 issue that was discussed in the income tax section of my testimony. Second is the
3 current economy and the additional rates that would have to be charged if the
4 Commission allowed any return. Finally, the Consumer Advocate's concern that,
5 since the Company requested a 2.00 percent rate of return when all other small
6 water utilities in Hawaii I am aware of have had rates established using a rate of
7 return in excess of 8 percent, it would not get rate reduction recognition for any
8 pro forma adjustments until the adjustments were significant enough to increase
9 the resulting rate of return to over 8 percent.

10 Q. Are any of these reasons sufficient to deny the Company a rate of return on its
11 investment?

12 A. No, not in my opinion. First the Consumer Advocate's concern that the removal
13 of income tax related reductions to rate base significantly harms the customers is
14 unfounded. As discussed earlier, if the customers have not paid rates that
15 included income taxes that were deferred, there should be no ADIT or
16 HSCGETC. However, assuming that there would be a reduction, the proposed
17 rate base includes reductions for income tax related elements of approximately
18 \$200,000. At a 2.00 percent rate of return that would require a net operating
19 income amount of approximately \$4,000 and revenue increase of approximately
20 \$6,800. The income tax expense shown on Exhibit MPU-6 at proposed rates of
21 \$4,607 would also be removed which would result in a revenue decrease of

1 approximately \$5,000. The net difference of under \$2,000 is not significant
2 enough to justify a denial of rate of return.

3 Q. Please address the second reason for the Consumer Advocate's recommendation
4 to deny the Company a rate of return.

5 A. The second reason, dealing with the magnitude of the increase and the impact on
6 the customers, was addressed by the Company when it decided to request only a
7 2.00 percent rate of return in lieu of the over 8.00 percent that has been used to
8 establish rates for small water companies in recent cases. The Company believes
9 that it should not be penalized for the historic economic conditions in the nation,
10 state, or on the island of Molokai.

11 Q. Finally, should the Consumer Advocate's third reason be considered?

12 A. No, it should not.

13 Q. Under the Company's proposal, what rate of return is the Company
14 recommending at this time?

15 A. The Company is supporting the use of the 2.00 percent rate of return it originally
16 proposed based on its adjusted expenses shown on Exhibit MPU-R-1.
17 Adjustment J reflects the decrease in the proposed revenue required to attain the
18 2.00 percent ROR. The Company believes this is the correct action because it has
19 updated its positions with the adjustments shown on Exhibit MPU-R-1 based on
20 more current data and updates to its filed exhibits.

21 Q. The Consumer Advocate has proposed recognition of some form of excess
22 capacity to address the fact that several large customers, who were provided

1 service in prior periods but are not currently taking service and will not be
2 through and after the end of the test year in this proceeding, are not taking service.

3 Do you agree that any form of excess capacity should be recognized?

4 A. No, I do not support any adjustment that would be based on excess capacity.

5 Q. Please explain your reason for rejecting an adjustment for excess capacity.

6 A. While I am familiar with and have recommended excess capacity adjustments to
7 reduce utility plant included in rates, this is not an instance where such an
8 adjustment is appropriate. In my experience, an excess capacity adjustment is
9 warranted when the utility has constructed plant that is beyond what is reasonably
10 needed to provide service to its customers. That is not the case in this instance.
11 The plant currently in rate base was constructed during period from 2003 to 2007
12 with some minor additions in the test year and has been used to provide service to
13 customers. This plant was and is used and useful in providing service to
14 customers. The Consumer Advocate's various excess capacity discussions seek
15 to penalize the utility because economic conditions have forced several of the
16 Company's larger customers to close and leave the Company's customer base. It
17 is unfair for the Commission to take the action recommended by the Consumer
18 Advocate to impose an excess capacity penalty on the Company either in the form
19 or a reduction to rate base or the disallowance of a rate of return.

20 Q. Do you have any comments regarding the validity of the Company records?

21 A. Yes, I do. While I recognize that there have been some difficulties during this
22 case because of changes in accounting procedures from 2006 to 2008 and with the

1 differences between the book and tax plant used for depreciation calculation, I
2 think the Company has addressed those issues and shown that they did not have
3 any impact on the test year data or, as is the case with the tax issues, do not have a
4 significant impact on the revenue requirement. In addition, the Company's
5 financial accounting records, based on the independent auditor's report for the
6 calendar year ended December 31, 2008, "...present fairly in all material respects
7 the financial position of Molokai Public Utilities, Inc. as of December 31, 2008,
8 and the results of its operations and cash flows for the year then ended in
9 conformity with generally accepted accounting principles." Finally, the Company
10 has provided responses to approximately 225 multi-part information requests
11 from the Consumer Advocate, West Molokai Association and the County of Maui
12 over the last several months which have provided support for the Company's
13 plant and accumulated depreciation, revenue and expenses. While some of the
14 information requested, mainly customer billing information and consumption
15 data, was not available from the Company's records in the form the Consumer
16 Advocate or intervenors requested, the Company offered to make its records
17 available to the parties so they could create the summaries of that data in the form
18 they required. The Company also tried to provide detail and summaries to restate
19 the accounting information in a consistent form so that the historic data was
20 shown in a consistent manner and format that matched the current accounting
21 procedures.

22 Q. What is the Company adjusted position regarding the revenue increase required?

1 A. As shown on Exhibit MPU-1, column 6, lines 1 to 6, the Company has decreased
2 its revenue requirement by approximately \$130,000 and is still proposing a 2.0
3 percent rate of return as shown on line 38 of column 6. The Company believes
4 that, since the adjustments it has made, such as the removal of the eighth
5 employee, its adjustments are updates to its original filing and the basis for use of
6 the 2.0 percent rate of return is still valid.

7 Q. Turning now to the issues the Company has with the presentation and
8 recommendations of the West Molokai Association ("WMA"), please describe the
9 concerns you have with some of the statements included in the testimony of Mr.
10 Dunham.

11 A. There are two statements that raise some concern to me. First, on page 1 of Mr.
12 Dunham's testimony, lines 20 and 21 Mr. Dunham states that, "...WMA's
13 emphasis has been on retaining what we have, which is much less than what we
14 once had." and then on page 2, lines 12 and 13 where the statement that,
15 "...members of the WMA feel 'manipulated' or 'abandoned' by MPL and its
16 affiliated companies." My concern with these statements is that they could refer
17 to the service provided to WMA members by MPU which is an affiliate of MPL.

18 Q. What action did the Company take to determine whether these statements
19 referred to the services provided by MPU?

20 A. MPU submitted information requests to determine if those statements were
21 directed at the service provide by MPU or directed at issues with MPL or other
22 affiliates or prior owners of MPU. The first request, MPU-IR-WMA-102,

1 provided a response that indicated the "what we have" portion of the statement
2 referred solely to issues outside of the service, responsibility or authority of MPU.
3 The second part of the statement, "what we once had", while also dealing with
4 operations under the control of others and not MPU contained statements
5 regarding the water service relating to leakage and level of rates. The second
6 statement regarding feeling manipulated or abandoned, addressed in response to
7 MPU-IR-WMA-103, also relates to actions of MPL and to some extent the leak
8 issue and the actions of MPU.

9 Q. Is the Company aware of any complaints that have been filed with the Company
10 or with the Commission regarding inadequate customer service or leaks in the
11 system?

12 A. No.

13 Q. Do you believe that a time and motion study is needed for MPU?

14 A. No, I do not. The Company performs all necessary maintenance and responds to
15 all situations where the Company's facilities need repair or replacement and also
16 to all customer contacts that identify issues with the Company's services or
17 facilities. The fact that there have been no customer complaints filed with the
18 Commission indicates that the Company is providing good service to its
19 customers. The Company has stated that it conducts maintenance on an as needed
20 basis and monitors all of its facilities regularly. Studies, such as those suggested
21 are time consuming and expensive and, if the Commission believes such studies
22 are needed, the Commission should indicate such and provide sufficient funds for

1 the Company to conduct such a study and also implement the findings. The

2 Company does not believe such studies are necessary.

3 Q. Do you believe that the Company's services and facilities are up to standards for
4 small water utilities?

5 A. While I am not an engineer or a utility operator, based on conversations with
6 Company personnel and observations at other small utilities in Hawaii, I think
7 that MPU's service and facilities are equal to those other companies. While some
8 of the facilities might be older and have more maintenance requirements, the level
9 of service and maintenance provided by the Company's employees is very good.
10 I think this is borne out by the lack of customer complaints to the Company or
11 Commission.

12 Q. Some of the testimony from WMA seems to indicate that there is substantial
13 dissatisfaction with the Company's service and facilities, how do you address that
14 testimony?

15 A. I think it might have more to do with dissatisfaction with the current and prior
16 owners of MPU and not necessarily with the utility. I base this on several
17 responses to information requests referenced earlier. I am not aware of any
18 actions by MPU that have caused this concern, other than the water losses through
19 leaks and the old backwash treatment process.

20 Q. In your experience, what is a normal amount of water lost and unaccounted for
21 percent for a water utility?

1 A. Normally, a water utility would strive to have a lost and unaccounted for rate of
2 less than 10 percent, depending on the age of its system and the number of open
3 transmission and storage facilities that allow for evaporation and seepage.

4 Q. Do you agree with the allegation that the difference in the water pumped from
5 Well 17 and the water sold to customers is 300 percent more than a generally
6 accepted standard?

7 A. No. Assuming the generally accepted standard is 10 percent, as I described in my
8 rebuttal to the Consumer Advocate's use of a 10 percent factor for the entire
9 operation of MPU, there are two important factors to be accounted for in the MPU
10 transmission and delivery system. First, the calculation must include the
11 requirement to leave 10 percent of the water delivered to MIS with MIS. Second,
12 the calculation must include the water used in the backwash treatment process
13 which the Company estimates to be an additional 10 percent. Finally, the normal
14 system losses from evaporation, leaks and other sources would be close to the 10
15 percent "normal" or "standard" for a system of MPU's age.

16 Q. Do any of the calculations presented by WMA support your analysis?

17 A. Yes, the calculations on Exhibit WMA 204 provide a similar analysis for the
18 water difference between what is pumped from Well 17 and what is recorded as
19 sold to customers. However, there needs to be recognition for the use of
20 backwash water in the treatment process which historically had been as high as 20
21 to 25 percent, but with the new treatment process has been reduced to
22 approximately 9 to 12 percent. With that modification, the calculations on

1 Exhibit WMA 204, with the exception of the water sales would be the same as
2 those proposed by Exhibit MPU-R-6, page 3.

3 Q. Do you have any comments regarding the testimony of Mr. Marusich regarding
4 the determination of the costs for electricity and fuel used to provide water to
5 MPU's customers?

6 A. Yes, I do. First, as just stated, an addition water use for the backwash of the
7 treatment filters used in the treatment process of 10 percent should be added to the
8 calculations on Exhibit WMA 204 and the final sales to customer water volumes
9 should be used in place of those used by Mr. Marusich on lines 1 and 7 of Exhibit
10 WMA 204. Second, I would not recommend using the cost rate per gallon of fuel
11 used by Mr. Marusich on line 10, but, as stated in testimony related to the
12 adoption of an APCAC and a PFAC earlier, would use a more current rate per
13 gallon of fuel if the Commission authorizes an and APCAC and a PFAC but
14 would use a historic average if the Commission does not authorize such a clause.
15 Since, as discussed in my rebuttal to the Consumer Advocate, the price used by
16 the Consumer Advocate of \$3.6626 approximates the average price for the last
17 several years, I would use that price in the calculation of the test year amount for
18 fuel expense.

19 Q. Would you have the same comments regarding the calculations presented by Mr.
20 Marusich regarding the electricity expense for this proceeding as presented on
21 Exhibits WMA 205 and 206?

1 A. Yes, I would. I would again use the most recent bill from Maui Electric Company
2 which is included in Exhibit MPU-R-4. In addition I would add a provision for
3 the pumpage to provide the water for the back wash process and would also use
4 the final customer water sales found by the Commission in this proceeding.

5 Q. Please summarize the issues you have with the testimony and recommendations
6 provided by Mr. Fujino.

7 A. There are three areas I will address. First is Mr. Fujino's recommendation for the
8 level of salaries and benefits, second is his recommendation for rate case
9 expenses, and finally the rate design he presents.

10 Q. What is your understanding of the procedure Mr. Fujino used to determine his
11 recommended level for salaries and benefits?

12 A. As shown on Exhibit WMA 302, page 2 of 2, Mr. Fujino listed nine tasks that
13 would be the sole basis for the determination of the wages to be included in the
14 expenses for MPU in this proceeding. He then provided a factor of 10 percent for
15 contingencies and then another 10 percent factor for paid absences. Once he
16 determined that the total labor hours required would be 5,953 as shown on line 14
17 he then established a rate per hour using the total wages and hours for the eight
18 employees included the proposed new hire as shown in the calculations at the
19 bottom of page 1 to calculate an average rate of \$16.78 per hour. Mr. Fujino then
20 multiplied the number of hours times the hourly rate as shown on line 4 of page 1
21 to calculate the annual test year wages for MPU.

22 Q. Do you agree with the method used by Mr. Fujino?

1 A. While I prefer to use the distribution provided by the employees on their time
2 cards, I understand the process used by Mr. Fujino but would make several
3 changes to his calculations to make them comparable to the actual experience for
4 MPU. First, I would reduce the Company estimate shown on page 1 to reflect the
5 Company's removal of the new hire position and the fact that the Company has
6 only 7 not 8 employees performing work for the utilities including MPU. Second,
7 I would adjust Mr. Fujino's hours for some of the functions reflected on page 2 of
8 his calculation. Third, I would add the function performed by the seventh
9 employee providing service to MPU and lastly would change the average rate
10 used on page 1, line 4, column B of the calculation for S&W and also the rate
11 used for the payroll taxes and benefits on line 5, column B which result from the
12 changes identified above.

13 Q. Please describe your changes.

14 A. The Company estimate for the charges to MPU of \$145,601 as shown on
15 Workpaper MPU 10.1 includes eight employees and a total payroll of \$279,240
16 with total annual hours of 16,640 as shown in Mr. Fujino's calculation of the
17 average rate on page 1 of Exhibit WMA 302. Since the Company has removed
18 this new hire position from its request in this case, the total wages would be
19 reduced to \$258,440 and the total hours would be reduced to 14,560 as shown on
20 line 19, column 4 of Exhibit MPU-R-11, page 2. Second, I would remove
21 Employee # 7 from the calculation since this employee performs only office duty
22 and does not participate in any of the activities included by Mr. Fujino on page 2

1 of Exhibit WMA 302. These changes, as shown on lines 17 through 22 of that
2 page would reduce the total wages to \$228,446 for the operations staff and the
3 total wages charged to MPU to \$136,241 (line 19, column 8). This also changes
4 the average rate per hour from \$16.78 on page 1 of Exhibit WMA 302 to \$18.30
5 (Exhibit MPU-R-11, line 22, column 4).

6 Q. What is the next change you would make to Mr. Fujino's calculations?

7 A. Based on a review by Mr. Kamakana, the Company's supervisor and part of the
8 field operations crew, I would increase the number of man-hours for the four
9 functions listed on Exhibit MPU-R-11, page 4, lines 2 and 4 as shown in column
10 1 and added to the number of hours included on Mr. Fujino's page 2 of Exhibit
11 WMA 302 for the same line items as shown in column 4 for those two lines.
12 These changes plus using the quantities for the retaining items from Mr. Fujino's
13 schedule, result in an increase in the number of hours from the 5,953 hours shown
14 on line 14 of Mr. Fujino's exhibit to 7,044. In addition, I increased the
15 contingency factor from 10 percent to 15 percent to reflect the significant amount
16 of driving required by field employees in performing their normal activities.
17 Finally, I added \$9,898 to Mr. Fujino's calculated wages to reflect the services of
18 the office staff person that is not included in the hours or tasks on page 2 of Mr.
19 Fujino's hourly calculations. I have used one-third of the salary since the
20 administrative functions are shared basically equally between the three utilities as
21 shown on line 17 of Exhibit MPU-R-11, page 2 in columns 5 to 10.

1 Q. If those adjustments are made to Mr. Fujino's proposed \$99,891 salary allowance,
2 what is the amount to be included by MPU?

3 A. Using the 7,044 hours and the \$18.30 rate per hour results in an annual amount of
4 \$128,896 shown on Exhibit MPU-R-11, page 1 lines 4 and 5. Adding one-third
5 of the office employee's wages in the amount of \$9,898 would increase that to
6 \$138,794 as shown on line 8 in column 4.

7 Q. How does that compare to the revised amount proposed by the Company,
8 excluding the new hire?

9 A. The revised Company amount for annual wages would be \$136,241 as shown in
10 column 3 on line 1 or a difference of \$2,553.

11 Q. Should the Commission adopt Mr. Fujino's calculation, even with the required
12 changes?

13 A. No, it should not. I believe that the procedure used by the Company is superior to
14 that recommended by Mr. Fujino. In addition, when the necessary corrections are
15 made, that procedure essentially validates the Company's process.

16 Q. If the Commission were to adopt Mr. Fujino's process, as corrected, would there
17 be any changes required in the payroll taxes and benefit calculations?

18 A. Yes, the rate of \$7.41 calculated in the bottom section of Exhibit WMA 302, page
19 1 would change as would the number of hours. The rate would change to \$7.46 as
20 shown on page 3 of Exhibit MPU-R-11 and the total dollars would change to
21 \$56,921. Since Mr. Fujino's calculations did not include the office staff
22 employee, one third of that employee's taxes and benefits, \$4,354, would be

1 added for a revised total of \$56,921 as shown on Exhibit MPU-R-11, page 1, line
2 11. Finally, that result would be compared to the revised Company amount of
3 \$57,644 which is a difference of \$723 for the entire year.

4 Q. Just to confirm, you are not recommending any adjustment to the Company's
5 revised numbers as a result of Mr. Fujino's calculations, either as they were filed
6 or as you have changed them to reflect the actual conditions that exist for MPU?

7 A. That is correct. I believe that the Company's process and resulting charges for
8 S&W and expenses are accurate and reasonable and should be used.

9
10
11 Q. Referring to Mr. Fujino's recommendation for the amount of rate case expense
12 amortization to be included in this case, do you agree with either his total cost or
13 his amortization period?

14 A. No, I do not. First, the total costs for preparing and processing a general rate case
15 for a small water and wastewater company based on the average for the settled
16 cases shown on Exhibit MPU-R-10 of approximately \$130,000 which is
17 significantly greater than the total cost amount of \$100,000 proposed by Mr.
18 Fujino. Second, all of those cases were resolved by a stipulation reached by the
19 parties and approved by the Commission which negated the need for hearings,
20 which is certainly not the same in this case. If hearings were required in those
21 cases, the total costs would have increased by the average of at least \$35,000
22 which would make a comparable total of \$165,000. Finally, none of those cases

1 had active intervention which there was in this case. Active intervention would
2 have increased those costs substantially.

3 Q. What does Mr. Fujino use to support recommendation for the total cost of
4 \$100,000?

5 A. Mr. Fujino does not provide any documentation or support for his amount, only
6 that he believes that the amounts spent and projected by the Company are
7 excessive and that he recommends \$100,000.

8 Q. Should Mr. Fujino's recommended amount be adopted?

9 A. No, it should not. That amount is not supported by any evidence and, as shown
10 on Exhibit MPU-R-10, it is only 75% of the average included for other small
11 water and wastewater rate proceedings, which were settled, did not require
12 hearings and did not have the extensive intervention experienced in this
13 proceeding.

14 Q. Should Mr. Fujino's recommended seven year period be used for amortization of
15 the total rate case costs in this proceeding?

16 A. Again it should not be used and should be rejected. The Company has proposed a
17 three-year amortization period which will recognize the lower rate of return
18 included in the Company's request and also reflects when the Company believes
19 it will apply for additional rate relief. The Consumer Advocate also recommends
20 the use of the three-year amortization period. The seven-year period proposed by
21 Mr. Fujino is not supported by any evidence, only Mr. Fujino's statement that the

1 seven-year period results in an amount of \$14,287 which he believes is reasonable
2 for the test year.

3 Q. What is the amount of test year amortization to be used for this proceeding?

4 A. I believe the Commission should require the Company to provide its actual
5 expenses at the end of the hearing process with an estimate for the briefing
6 activity if required by the Commission and that those total expenses should be
7 amortized over a three-year period. As of today, as shown on Exhibit MPU-R-9,
8 those total costs are estimated to be \$377,383 and the annual amortization is
9 \$125,794.

10 Q. Please discuss Mr. Fujino's recommended rate design and rate structure as shown
11 on Exhibits WMA 303 and 305.

12 Q. Mr. Fujino separates expenses into fixed and variable categories on
13 Exhibit WMA 303 and then presents a proposed rate design on Exhibit WMA 305
14 which proposes fixed monthly charges and volumetric rates for various customer
15 categories.

16 Q. Should these proposed rates be adopted by the Commission?

17 A. No, they should not.

18 Q. Please explain why the Commission should not adopt the WMA proposed rate
19 design.

20 A. While the WMA has presented a distribution of the expenses for the test year into
21 fixed and variable categories, there has been no such distribution for the rate base
22 elements. Second, the establishment of the proposed rates appears to be

1 essentially arbitrary and based on historic water usage. Third, several of the
2 customer categories used for the recovery of the fixed monthly charges contain
3 customers that not currently in operation and do not take any water from the
4 system. Finally, based on the supporting data provided by WMA, the Company
5 could not determine the factual basis of the proposed rates.

6 Q. Is rate base a required part of the determination of a cost of service amount that
7 would be used to make rate design changes?

8 A. Yes, it is.

9 Q. Should historic usage be the basis for the determination of the fixed charges in a
10 cost of service study?

11 A. While the customer usage will be a component of the cost of service study, it
12 would be used to determine peak and average demands on the system and not
13 necessarily the basis for the fixed charges. For example, if the residential and
14 commercial customers each used 50 percent of the water by volume, it would not
15 mean that the fixed costs should be split fifty-fifty. It is possible that the
16 residential class used water evenly over the entire day, week and month but the
17 commercial customers use 80 percent of the daily and monthly water in one hour
18 per day. In this instance the commercial class' peak demand will be significantly
19 higher than the residential and therefore should have a higher allocation of the
20 fixed costs. There are other elements of a cost of service study that could also
21 impact the allocation of expenses and rate base elements to either fixed or

1 variable cost categories and to the development of the specific charges for each of
2 the customer categories.

3 Q. What do you mean when you state that several of the customers are not in
4 operation?

5 A. As recognized by Mr. Fujino, the Golf Course, Hotel and others have closed
6 operations and there is no indication when and if they will return. To use these
7 customers in determining revenue for the Company would essentially deny the
8 Company any opportunity to recover its revenue requirement established by the
9 Commission in this case. In addition, even if the Hotel and the Golf Course were
10 to return and request service, MPU may not be able to provide service to them
11 based on statements contained in the Supreme Court's remand of the permit for
12 Well 17. This means that those customers cannot be used in the determination of
13 rates to recover the revenue requirement in this case.

14 Q. Are detailed cost of service studies done for small water and wastewater utilities
15 in your experience?

16 A. They are normally not part of a general rate case application where rates exist,
17 because they are expensive and can be controversial regarding what is included as
18 fixed or variable expense, fixed or variable components of rate base and also how
19 those are included in the determination of the base customer charge and the
20 volumetric charges. Developing these positions and responding to proposed
21 changes by other parties can and does get expensive.

1 Q. Does the Commission require companies to submit cost of service studies for
2 small water companies?

3 A. Yes, the Commission has required such studies when it believes there is a need
4 for them. In addition, the Consumer Advocate will request the utility to provide a
5 study at various times.

6 Q. What do you recommend regarding the use on Mr. Fujino's cost distribution and
7 resulting rate requirements shown on Exhibits 303 and 305 respectively and the
8 need for a cost of service study?

9 A. I recommend that the Commission reject the revenue distributions shown on
10 Exhibit 305 because there is no clear calculation basis for those charges since
11 there have been no system demand analyses and therefore there is no cost basis
12 for the monthly charges either by customer category or in total. In addition, if the
13 Commission decided to use the data provided by Mr. Fujino, the customers who
14 are no longer taking service from the Company must be removed from the
15 calculations and the revenue requirement recovered from active customers since
16 Well 17 permitting proceedings may not allow the Company to have sufficient
17 water to provide service to those customers, particularly the Hotel and the Golf
18 Course.

19 Q. Do you have a recommendation concerning the need for a cost of service study?

20 A. Yes, I would recommend that the Commission require MPU to conduct and file a
21 full cost of service study as part of its next rate case. This would include the full

1 requirements of such a study along with rate structures and other required
2 components.

3 Q. How should the Commission distribute the revenue increase required in this
4 proceeding?

5 A. As recommended by the Consumer Advocate and the Company, the Commission
6 should distribute the revenue increase across-the-board in this proceeding and
7 require a cost of service study in the Company's next filing which, based on the
8 Company and Consumer Advocate's recommendation should be within three
9 years.

10 Q. Does this complete your rebuttal testimony?

11 A. Yes it does.

Molokai Public Utilities, Inc.
Company and Consumer Advocate Comparison
Test Year Ending June 30, 2010

		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]
Line #		MPU As Filed		MPU At Proposed Rates				Consumer Advocate			Difference [9] - [6]
		Present Rates	Temporary Rates	As Filed	Adjustments	Adjustments 7.25	Revised	At Present Rates	At Temporary Rates	At Proposed Rates	
REVENUE											
1	Monthly Customer Charge	\$53,228	\$ 53,228	\$ 160,656	(\$540) F	\$ (15,667) K	\$ 144,449	\$52,688	\$52,688	\$111,362	(\$33,087)
2	Water Usage Charge	385,410	705,730	1,164,241	277 F	(113,533) K	1,050,985	356,165	706,007	746,075	(304,910)
3	Connection Fees	0					0				0
4	Late Fees	1,200	1,200	1,200	100 F		1,300	1,300	1,300	1,300	0
5											
6	Total Operating Revenues	439,838	760,158	1,326,097	(163)	(129,200)	1,196,734	410,153	759,995	858,737	(337,997)
EXPENSES											
7	Labor, PR Tax & Empl Bene	209,865		209,865	(15,980) J		193,885	165,308		165,308	(28,577)
8	Electricity Expense	282,524		282,524		(128,675) G	153,849	133,439		133,439	(20,410)
9	Fuel Expense	231,067		231,067		(31,180) H	199,887	170,241		170,241	(29,646)
10	Department of Agri -	144,456		144,456	(7,959) B		136,497	144,456		144,456	7,959
11				0			0				0
12	Materials & Supplies	85,583		85,583			85,583	14,010		14,010	(71,573)
13	Affiliated Charges	9,600		9,600			9,600	9,600		9,600	0
14	Professional & Outside Services	14,137		14,137			14,137	14,137		14,137	0
15	Repairs & Maintenance	65,812		65,812			65,812	65,812		65,812	0
16				0			0				0
17	Insurance	13,000		13,000			13,000	13,000		13,000	0
18	Regulatory Expense	55,000		55,000	70,794 C		125,794	55,000		55,000	(70,794)
19	General & Administrative	13,318		13,318			13,318	13,318		13,318	0
20	Total O&M Expenses	1,124,362	0	1,124,362	46,855	(159,855)	1,011,362	798,321	0	798,321	(213,041)
21	Taxes, Other Than Income	28,084		84,671	(10) I	(7,603) I	77,058	54,830		54,830	(22,228)
22	Depreciation	92,479		92,479	(8,001) D		84,478	5,587		5,587	(78,891)
23	Income Taxes	(306,912)		4,607	(4,607) E		0				0
24	Diff. due to changing factors										0
25	Total Operating Expenses	938,013	0	1,306,119	34,237	(167,458)	1,172,898	858,738	0	858,738	(314,180)
26	Operating Income	(\$498,175)		\$19,978	(\$34,400)	\$38,258	\$23,836	(\$448,585)		(\$1)	(\$23,837)
AVERAGE RATE BASE											
27	Plant in Service	\$ 6,583,033		\$ 6,583,033			\$ 6,583,033	\$ 6,543,033		\$ 6,543,033	(40,000)
28	Accumulated Depreciation	(5,469,451)		(5,469,451)	4,001 D		(5,465,451)	(6,479,591)		(6,479,591)	(1,014,141)
29	Net Plant	1,113,582	-	1,113,582	4,001	-	1,117,583	63,442	-	63,442	(1,054,141)
30											
31	Customer Deposits	(10,691)		(10,691)			(10,691)	(10,691)		(10,691)	0
32	ADIT						0				0
33	HCGETC	(199,317)		(199,317)	199,317 E		0	(199,531)		(199,531)	(199,531)
34	Working Capital	92,587		92,587	(9,417) A		83,170	65,417		65,417	(17,753)
35	Average Rate Base	\$ 996,161	\$ -	\$ 996,161	\$ 193,901	\$ -	\$ 1,190,062	\$ (81,363)	\$ -	\$ (81,363)	\$ (1,271,425)
36	Return on Rate Base	-50.01%		2.01%			2.00%				

Molokai Public Utilities, Inc.
Rebuttal Adjustments

		[1]	[2]	[3]
Adj #	Description	Reference #	Amount	Total
A	Change in Expenses for CWC			<u>\$ (9,417)</u>
B	Total in MPU Filing		\$ 144,456	
	Corrected Total Per MIS		<u>136,497</u>	
	Correct MIS Billing Expense			<u>\$ (7,959)</u>
C	Update for Actual Rate Case Expense	MPU R-9		<u>\$ 70,794</u>
D	Decrease in Depreciation Expense			<u>\$ (8,001)</u>
	Decrease in Accumulated Depreciation	50.0%		<u>\$ 4,001</u>
E	Remove Income Tax Expense			<u>\$ (4,607)</u>
E	Remove HCGETC			<u>\$ 119,317</u>
F	Adopt CA Revenues at Present and Temporary Rates			
	Customer Charge		(\$540)	
	Customer Usage		277	
	Other Revenue		<u>100</u>	
	Total			<u>\$ (263)</u>
G	Change if Electric Expense			<u>\$ (128,675)</u>
H	Change in Fuel Expense			<u>\$ (31,180)</u>
I	Change in Revenue Taxes on Revenue Change @ 5.885%			
J	Decrease in S&W and Benefits for Employee # 8			<u>\$ (15,980)</u>
K	Change in Proposed Revenue			
	Customer Charges	\$ 160,656	12.13%	\$ (15,667)
	Usage Charges	<u>1,164,241</u>	<u>87.87%</u>	<u>(113,533)</u>
	Total	<u>\$ 1,324,897</u>		<u>\$ (129,200)</u>
	Revenue Adjustment		<u>\$ (129,200)</u>	
	Target Rate of Return		2.00%	

Molokai Public Utilities, Inc.
Revenue Percent Increase
Test Year Ending June 30, 2010

		[1]	[2]	[3]
Line #		Present Rates	MPU As Filed Temporary Rates	As Filed
<u>MPU REVENUE</u>				
1	Monthly Customer Charge	\$53,228	\$ 53,228	\$ 160,656
2	Water Usage Charge	385,410	705,730	1,164,241
3	Connection Fees			
4	Late Fees	1,200	1,200	1,200
5	Total Operating Revenues	<u>\$ 439,838</u>	<u>\$ 760,158</u>	<u>\$ 1,326,097</u>
6	Percent Increase over Present Rates [a]			<u>202.0%</u>
7	Percent Increase over Poposed Rates [a]			<u>74.6%</u>
<u>CONSUMER ADVOCATE REVENUE</u>				
8	Monthly Customer Charge	\$52,688	\$52,688	\$111,362
9	Water Usage Charge	356,165	653,319	746,075
10	Connection Fees			
11	Late Fees	1,300	1,300	1,300
12	Total Operating Revenues	<u>\$ 410,153</u>	<u>\$ 707,307</u>	<u>\$ 858,737</u>
13	Percent Increase over Present Rates [a]			<u>109.7%</u>
14	Percent Increase over Poposed Rates [a]			<u>21.4%</u>
[a]	Excludes Late Fees			

Molokai Public Utilities, Inc.
Revenues
Test Year Ending June 30, 2010

		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]
			# of Cust Bills Or Water Usage	Base Rates Effective 8-1-03			Temporary Rates Effective 9-1-08			Proposed Rates		
Line #	Description	Meter Size		Monthly Rate	Annual Revenue [2] * [3]	Total Revenue	Monthly Rate	Annual Revenue [2] * [6]	Total Revenue	Monthly Rate	Annual Revenue [2] * [9]	Total Revenue
1	Rate Increase Percent									201.497%		
<u>Monthly Customer Charge</u>												
2	# of Customers (250)	5/8" Meter	2,398	\$11.25	\$ 26,978		\$11.25	\$ 26,978		\$34.00	\$81,532	
3	# of Customers (251)	1.0" Meter	12	\$15.00	180		\$15.00	180		\$45.00	540	
4	# of Customers (253)	1.5" Meter	12	\$22.50	270		\$22.50	270		\$68.00	816	
5	# of Customers (254)	2.0" Meter	36	\$37.50	1,350		\$37.50	1,350		\$113.00	4,068	
6	# of Customers (255)	3" Meter	26	\$75.00	1,950		\$75.00	1,950		\$226.00	5,876	
7	# of Customers (257)	6" Meter	60	\$225.00	13,500		\$225.00	13,500		\$678.00	40,680	
8	# of Customers (258)	8" Meter	24	\$375.00	9,000		\$375.00	9,000		\$1,131.00	27,144	
9	Sub-Total					\$53,228			\$53,228			\$160,656
										202.079%		
<u>Water Usage Charge</u>												
10	Water Use for Test Year (000 gallons)		112,000	\$ 3.18	356,160		\$ 6.04	676,480		\$9.6081	1,075,883	
11	Water Delivered to Wai'ola at Kualapuu Tap		26,000	\$ 1.2500	32,500		\$ 1.2500	32,500		\$3.3984	88,358	
12	Total Water Sales		138,000									
13	Usage Revenue					388,660			708,980			1,164,241
14	Total Revenue					\$ 441,888			\$ 762,208			\$ 1,324,897
15	Revenue Increase To Temporary Rates							\$320,320				1,738,235
16	Revenue Increase over Temporary Rates									\$ 562,689		
16A										73.82%		
17	Total Revenue Increase from Present Rates										\$883,009	

Exhibit CA-121
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Witness O'Brien
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Molokai Public Utilities, Inc.
Revenues
Test Year Ending June 30, 2010

		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]
			# of Cust Bills Or	Base Rates Effective 8-1-03			Temporary Rates Effective 9-1-08			Proposed Rates		
Line #	Description	Meter Size	Water Usage	Monthly Rate	Annual Revenue [2] * [3]	Total Revenue	Monthly Rate	Annual Revenue [2] * [6]	Total Revenue	Monthly Rate	Annual Revenue [2] * [9]	Total Revenue
1	Rate Increase Percent									109.369%		
<u>Monthly Customer Charge</u>												
2	# of Customers (250)	5/8" Meter	2,350	\$11.25	\$ 26,438		\$11.25	\$ 26,438		\$24.00	\$56,400	
3	# of Customers (251)	1.0" Meter	12	\$15.00	180		\$15.00	180		\$31.00	372	
4	# of Customers (253)	1.5" Meter	12	\$22.50	270		\$22.50	270		\$47.00	564	
5	# of Customers (254)	2.0" Meter	36	\$37.50	1,350		\$37.50	1,350		\$79.00	2,844	
6	# of Customers (255)	3" Meter	26	\$75.00	1,950		\$75.00	1,950		\$157.00	4,082	
7	# of Customers (257)	6" Meter	60	\$225.00	13,500		\$225.00	13,500		\$471.00	28,260	
8	# of Customers (258)	8" Meter	24	\$375.00	9,000		\$375.00	9,000		\$785.00	18,840	
9	Sub-Total		2,520			\$52,688			\$52,688			\$111,362
										109.474%		
<u>Water Usage Charge</u>												
10	Water Use for Test Year (000 gallons)		103,900	\$ 3.18	330,402		\$ 6.04	627,556		\$6.6613	692,109	
11	Water Delivered to Wai'ola at Kualapuu Tap		22,900	\$ 1.2500	28,625		\$ 1.2500	28,625		\$2.3566	53,966	
12	Total Water Sales		126,800									
13	Usage Revenue					359,027			656,181			746,075
14	Total Revenue					\$ 411,715			\$ 708,869			\$ 857,437
15	Revenue Increase To Temporary Rates							\$297,154				
16	Revenue Increase over Temporary Rates									\$ 148,568		
16A	Percent Increase over temporary Rates									20.96%		
17	Total Revenue Increase from Present Rates										\$445,722	

Molokai Public Utilities, Inc.
Base Costs for APCAC and PFAC

Year Ended June 30, 2010

Line #		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]
		Mahana			Puunana			Palaau		
		kWh	Amount	\$ per kWh	kWh	Amount	\$ per kWh	kWh	Amount	\$ per kWh
<u>ELECTRIC</u>										
<u>Total By Pump</u>										
1	MECO Bill for November 2009	33,600	\$ 7,300	\$ 0.2173	7,780	\$ 2,723	\$ 0.3500	2,884	\$ 1,137	\$ 0.3942
2	MECO Bill for December 2009	38,400	8,657	\$ 0.2254	8,980	3,065	\$ 0.3413	4,261	1,665	\$ 0.3908
3	Total	<u>72,000</u>	<u>15,957</u>	<u>\$ 0.2216</u>	<u>16,760</u>	<u>5,788</u>	<u>\$ 0.3453</u>	<u>7,145</u>	<u>2,802</u>	<u>\$ 0.3922</u>

ELECTRIC CHARGES

		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]	[13]	[14]	[15]	[16]	[17]
Line #	Description	Mahana 500 HP pump				Puunana				Palaa				Mahana 200 HP pump		TOTAL		
		# of Days	KWH Usage	Total Charge	Per KWH	# of Days	KWH Usage	Total Charge	Per KWH	# of Days	KWH Usage	Total Charge	Per KWH	KWH Usage	Total Charge	KWH Usage	Total Charge	Per KWH
LARGE POWER RATE						PUUNANA-Pole 11 (previously charged to MPL)				PALAAU (previously charged to MPL)								
1	7/25/06	30	79,200	\$ 19,508	0.246310									\$ 169	79,200	\$ 19,677	0.248450	
2	8/25/06	30	79,200	19,500	0.246210									169	79,200	19,669	0.248350	
3	9/25/06	31	79,200	19,467	0.245800									170	79,200	19,637	0.247940	
4	10/25/06	30	61,600	14,946	0.242630									169	61,600	15,115	0.245370	
5	11/24/06	30	47,200	11,373	0.240950									169	47,200	11,542	0.244530	
6	12/29/06	32	62,400	14,085	0.225720									170	62,400	14,255	0.228450	
7	1/24/07	29	61,600	13,089	0.212480									169	61,600	13,258	0.215230	
8	2/23/07	30	68,000	14,445	0.212430									169	68,000	14,614	0.214910	
9	3/24/07	29	65,600	13,681	0.208550									170	65,600	13,851	0.211140	
10	4/25/07	32	80,800	16,848	0.208510									169	80,800	17,017	0.210610	
11	5/24/07	29	77,600	16,563	0.213440									169	77,600	16,732	0.215620	
12	6/25/07	32	68,000	14,757	0.217010									38	68,000	14,795	0.217580	
13	Total 6-30-07		830,400	\$ 188,262	0.226710									-	\$ 1,900	830,400	\$ 190,162	0.229000
14	7/25/07	30	37,600	8,765	0.233110									38	37,600	8,803	0.234130	
15	8/24/07	30	81,600	19,538	0.239440									38	81,600	19,576	0.239900	
16	9/25/07	32	83,200	20,301	0.244000									38	83,200	20,339	0.244460	
17	10/25/07	30	82,400	19,461	0.236180									38	82,400	19,499	0.236640	
18	11/29/07	32	74,400	17,847	0.239880									38	74,400	17,885	0.240390	
19	12/29/07	30	44,800	11,736	0.261960									38	44,800	11,774	0.262820	
20	1/25/08	30	49,600	13,702	0.276250									41	49,600	13,743	0.277070	
21	2/26/08	32	74,400	20,651	0.277560									41	74,400	20,691	0.278110	
22	3/26/08	29	73,600	20,376	0.276850									41	73,600	20,417	0.277400	
23	4/24/08	29	60,000	16,950	0.282490									41	60,000	16,990	0.283170	
24	5/27/08	33	59,200	17,655	0.298230									41	59,200	17,696	0.298910	
25	6/25/08	29	48,000	15,141	0.315450									41	48,000	15,182	0.316290	
26	Total 6-30-08		768,800	\$ 202,123	0.262910									-	\$ 473	768,800	\$ 202,596	0.263520
27	7/25/08	30	50,400	17,398	0.345210									41	50,400	17,439	0.346010	
28	8/26/08	32	61,600	22,872	0.371310									41	61,600	22,913	0.371970	
29	9/25/08	30	37,600	14,784	0.393200									41	37,600	14,825	0.394280	
30	10/27/08	32	40,000	14,564	0.364090	30	10,320	5,444	0.527540					41	50,320	20,048	0.398420	
31	11/25/08	29	31,200	10,648	0.341270	31	7,660	3,550	0.463450	29	3,985	2,005	0.503200	41	42,845	16,244	0.379120	
32	12/26/08	31	23,200	7,248	0.312400	30	6,020	2,692	0.447120	31	2,121	1,005	0.473600	41	31,341	10,985	0.350490	
33	1/27/2009 - A	32	28,800	7,947	0.275950	33	5,200	2,189	0.420870	32	4,560	1,982	0.434550	41	38,560	12,158	0.315310	
34	2/24/09	28	25,600	6,404	0.25014	28	5,520	2,154	0.390240	28	3,225	1,319	0.408900	41	34,345	9,917	0.288760	
35	3/25/09	29	31,200	6,875	0.22036	29	7,540	2,576	0.341600	29	3,327	1,277	0.383900	41	42,067	10,769	0.256000	
36	4/24/09	30	35,200	7,034	0.19984	30	8,160	2,630	0.322330	30	3,096	1,136	0.366910	41	46,456	10,842	0.233370	
37	5/23/09	29	33,600	6,379	0.18985	29	7,700	2,391	0.310500	29	3,141	1,116	0.355330	41	44,441	9,927	0.223370	
38	6/25/09	33	48,000	8,774	0.1828	33	8,660	2,615	0.301940	33	3,580	1,267	0.353920	41	60,240	12,697	0.210780	
39	Total 6-30-09		446,400	\$ 130,928	0.293300		66,780	\$ 26,240	0.392930		27,035	\$ 11,106	0.410810	-	\$ 490	540,215	\$ 168,765	

40 AVERAGE RATE PER KWH

0.312400

A Corrected kWh from 288,800 shown on original CA-111 page 3 of 4 to 28,800

ELECTRIC CHARGES

Line #	Description	[1] Factor Or Reference	[2] Amount	[3] Sub-Total	[4] Total
<u>Mahana 500 HP pump</u>					
1	Pro Forma kWh usage		569,571		
2	Total Cost Per kWh		\$ 0.22160		
3	Pro Forma Expense			\$ 126,217	
<u>Puunana</u>					
4	Pro Forma kWh usage		53,845		
5	Total Cost Per kWh		\$ 0.34530		
6	Pro Forma Expense			\$ 18,593	
<u>Palaau</u>					
7	Pro Forma kWh usage		21,798		
8	Total Cost Per kWh		\$ 0.39220		
9	Pro Forma Expense			\$ 8,549	
<u>Mahana 200 HP pump</u>					
10	Pro Forma Expense			\$ 490	
11	Total Pro Forma Electric Expense				<u>\$ 153,849</u>
12	Total Pro Forma Electric Expense		\$ 153,849		
13	Total kWh		645,214		
14	Total Cost Per kWh			<u>\$ 0.2384</u>	

ELECTRIC CHARGES

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	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]	[13]	[14]	[15]	[16]	[17]	
Line #	Description	# of Days	Mahana 500 HP pump			Puuhanua				Palaeu				Mahana 200 HP pump		TOTAL		
			KWH Usage	Total Charge	Charge Per KWH	# of Days	KWH Usage	Total Charge	Charge Per KWH	# of Days	KWH Usage	Total Charge	Charge Per KWH	KWH Usage	Total Charge	KWH Usage	Total Charge	Charge Per KWH
LARGE POWER RATE																		
						PUUHANUA-Pole 11 (previously charged to MPL)				PALAEU (previously charged to MPL)								
1	7/24/08	30	79,200	\$ 19,508	0.246310								\$ 169	79,200	\$ 19,677	0.248450		
2	8/25/08	30	79,200	19,500	0.246210								169	79,200	19,669	0.248350		
3	9/25/08	31	79,200	19,467	0.245800								170	79,200	19,637	0.247940		
4	10/25/08	30	61,600	14,946	0.242630								169	61,600	15,115	0.245370		
5	11/24/08	30	47,200	11,373	0.240950								169	47,200	11,542	0.244530		
6	12/26/08	32	62,400	14,085	0.225720								170	62,400	14,255	0.228450		
7	1/24/07	29	61,600	13,089	0.212480								169	61,600	13,258	0.215230		
8	2/23/07	30	68,000	14,445	0.212430								169	68,000	14,614	0.214910		
9	3/24/07	29	65,600	13,681	0.208590								170	65,600	13,851	0.211140		
10	4/25/07	32	80,800	16,848	0.208510								169	80,800	17,017	0.210610		
11	5/24/07	29	77,600	16,563	0.213440								169	77,600	16,732	0.215620		
12	6/25/07	32	68,000	14,757	0.217010								38	68,000	14,795	0.217580		
13	Total 6-30-07		830,400	\$ 188,262	0.226710								-	\$ 1,900	830,400	\$ 190,162	0.229000	
14	7/25/07	30	37,600	8,765	0.233110								38	37,600	8,803	0.234130		
15	8/24/07	30	81,600	19,538	0.239440								38	81,600	19,576	0.239900		
16	9/25/07	32	83,200	20,301	0.244000								38	83,200	20,339	0.244460		
17	10/25/07	30	82,400	19,461	0.236180								38	82,400	19,499	0.236640		
18	11/26/07	32	74,400	17,847	0.239880								38	74,400	17,885	0.240390		
19	12/26/07	30	44,800	11,736	0.261960								38	44,800	11,774	0.262820		
20	1/25/08	30	49,600	13,702	0.276250								41	49,600	13,743	0.277070		
21	2/26/08	32	74,400	20,651	0.277560								41	74,400	20,691	0.278110		
22	3/26/08	29	73,600	20,376	0.276850								41	73,600	20,417	0.277400		
23	4/24/08	29	60,000	16,950	0.282490								41	60,000	16,990	0.283170		
24	5/27/08	33	59,200	17,655	0.298230								41	59,200	17,696	0.298910		
25	6/25/08	29	48,000	15,141	0.315450								41	48,000	15,182	0.316290		
26	Total 6-30-08		768,800	\$ 202,123	0.262910								-	\$ 473	768,800	\$ 202,596	0.263520	
27	7/25/08	30	50,400	17,398	0.345210								41	50,400	17,439	0.346010		
28	8/26/08	32	61,600	22,872	0.371310								41	61,600	22,913	0.371970		
29	9/25/08	30	37,600	14,784	0.393200								41	37,600	14,825	0.394280		
30	10/27/08	32	40,000	14,564	0.364090	30	10,320	5,444	0.527540				41	50,320	20,048	0.398420		
31	11/25/08	29	31,200	10,648	0.341270	31	7,660	3,550	0.463450	29	3,985	2,005	0.503200	41	42,845	16,244	0.379120	
32	12/26/08	31	23,200	7,248	0.312400	30	6,020	2,692	0.447120	31	2,121	1,005	0.473600	41	31,341	10,985	0.350490	
33	1/27/09	32	288,800	7,947	0.027520	33	5,200	2,189	0.420870	32	4,560	1,862	0.434550	41	298,560	12,158	0.040720	
34	2/24/09	28	25,600	5,404	0.25014	28	5,520	2,154	0.390240	28	3,225	1,319	0.408900	41	34,345	9,917	0.288760	
35	3/25/09	29	31,200	5,875	0.22036	29	7,540	2,576	0.341600	29	3,327	1,277	0.383900	41	42,067	10,769	0.256000	
36	4/24/09	30	35,200	7,034	0.19984	30	8,160	2,630	0.322330	30	3,096	1,136	0.366910	41	46,456	10,842	0.233370	
37	5/23/09	29	33,600	8,379	0.18985	29	7,700	2,391	0.310500	29	3,141	1,116	0.355330	41	44,441	9,927	0.223370	
38	6/25/09	33	48,000	8,774	0.1828	33	8,660	2,615	0.301940	33	3,580	1,267	0.353920	41	60,240	12,697	0.210780	
39	Total 6-30-09		706,400	\$ 130,928	0.185350		66,760	\$ 26,240	0.392930		27,035	\$ 11,106	0.410810		\$ 490	800,215	\$ 168,765	0.210900
Adjustment for changes in TY sales																		
40	12 months sales ended 6/30/09			130,663			60,000	0.447120			36,000	0.473600						
41	CA projected TY sales - Kulaohiki Only			103,900														
42	change			-20%			\$ 35,770				\$ 17,050			\$ 490				
43	12 months water pumped ended 6/30/09			168,349														
44	avg ltrh / water pumped			4.753														
45	Unaccounted for and lost water factor		MPU-R-6, p3	23.46%														
46	Projected water pumped			135,740														
Pro Forma for TY																		
47	lthr		569,571				53,845				21,798							
48	rate			0.221600				0.300000				0.392200						
49	Expense		\$ 126,217				\$ 16,153				\$ 8,549			\$ 490			\$ 151,410	

Fuel Expense

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Line #	Description	[1] Factor Or Reference	[2] Percent of Production	[3] Percent of Sales	[4] Sub-Total (000) gallons	[5] Total
<u>Usage at Kaluakoi</u>						
1	Kaluakoi pro forma test year water usage				103,900	
2	Water Used for Treatment Plant Backwash at 10% of Water Delivered from Mahana Pumps - As a percentage of water delivered to the treatment plant		10.00%	11.1110%	11,544	
3	Sub-total				115,444	
4	General Lost and Unaccounted For Water		10.00%	11.1110%	12,827	
5	Water From MIS				128,271	
6	Water from MIS not Sold	24,371	19.00%	23.46%		
7	Water Retained by MIS for evaporation (under Agreement) at 10% of Water delivered from Well 17 after delivery to Kualapuu		10.00%	11.1110%	14,252	
8	Water Delivered to MIS for Storage and Transport				142,524	
9	Total Water Pumped by Not Sold	38,624	27.10%	37.17%		
10	Water Delivery to Kualapuu Tap				22,900	
11	Production Requirement from Well 17				165,424	
12	Gallons of fuel ratio to gallons of water produced				33.00%	
13	Gallons of Fuel Required for Test Year Production					54,590
14	Cost per gallon					\$ 3.66162
15	Pro forma Fuel Cost					\$ 199,887
16	Fuel Cost per 1,000 gallons sold	L 12 / (L 1 + L 17)			\$ 1.5764	

Molokai Public Utilities, Inc.
Materials & Supplies
Test Year Ending June 30, 2010

		[1]	[2]	[3]	[4]	[5]	[6]	[7]
Line #	Description	Ref:	6/30/04	6/30/05	6/30/06	6/30/07	6/30/08	Test Year 6/30/10
MPU Direct Expenses								
1	Supplies for Operations		\$6,174	\$9,827	\$6,580	\$4,615	\$3,599	\$6,159
2	Uniforms		351	0	0	624	0	195
3	Fuel for Vehicles		5,391	7,275	8,033	7,890	8,331	7,384
4	Cleaning		149	320	359	373	158	272
5	Sub-Total		12,065	17,422	14,972	13,502	12,088	14,010
MPU Direct Charges Previously Charged from MPL thru a/c # 610								
6	Materials & Supplies				74,371	60,378	67,011	67,253
7	Fuel For Vehicles				4,192	4,102	4,667	4,320
8								
9	Sub-Total							71,574
10	Total		\$17,956	\$25,017	\$101,927	\$86,869	\$92,255	\$85,583

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Molokai Public Utilities, Inc.
Materials & Supplies
Test Year Ending June 30, 2010

		[1]	[2]	[3]	[4]	[5]	[6]	[7]
Line #	Description	Ref:	6/30/04	6/30/05	6/30/06	6/30/07	6/30/08	Test Year 6/30/10
<u>MPU Direct Expenses</u>								
1	Supplies for Operations		\$6,174	\$9,827	\$6,580	\$4,615	\$3,599	\$6,159
2	Uniforms		351	0	0	624	0	195
3	Fuel for Vehicles		5,391	7,275	8,033	7,890	8,331	7,384
4	Cleaning		149	320	358	373	158	272
5	Sub-Total		<u>12,065</u>	<u>17,422</u>	<u>14,972</u>	<u>13,502</u>	<u>12,088</u>	<u>14,010</u>
<u>MPU Direct Charges Previously Charged from MPL thru a/c # 610</u>								
6	Materials & Supplies				74,371	60,378	67,011	67,253
7	Fuel For Vehicles				4,192	4,102	4,667	4,320
8								
9	Sub-Total							<u>71,574</u>
10	Total		<u>\$17,956</u>	<u>\$25,017</u>	<u>\$101,927</u>	<u>\$86,869</u>	<u>\$92,255</u>	<u>\$85,583</u>
11	Corrected Totals		<u>\$ 12,065</u>	<u>\$ 17,422</u>	<u>\$ 93,535</u>	<u>\$ 77,982</u>	<u>\$ 83,766</u>	<u>\$ 85,583</u>

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Molokai Public Utilities, Inc.
Materials & Supplies
Test Year Ending June 30, 2010

Line #	Description	[1] Ref:	[2] 6/30/04	[3] 6/30/05	[4] 6/30/06	[5] 6/30/07	[6] 6/30/08	[7] Test Year 6/30/10
MPU Direct Expenses								
1	Supplies for Operations		\$6,174	\$9,827	\$6,580	\$4,615	\$3,599	\$6,159
2	Uniforms		351	0	0	624	0	195
3	Fuel for Vehicles		5,391	7,275	8,033	7,890	8,331	7,384
4	Cleaning		149	320	359	373	158	272
5	Sub-Total		12,065	17,422	14,972	13,502	12,088	14,010
MPU Direct Charges Previously Charged from MPL thru a/c # 610								
6	Materials & Supplies				74,371	60,378	67,011	67,253
7	Fuel For Vehicles				4,192	4,102	4,667	4,320
8								
9	Sub-Total							71,574
10	Total		\$17,956	\$25,017	\$101,927	\$86,869	\$92,255	\$85,583
11	Sum of Lines 2 to 4	L 2 + L 3 + L 4	5,891	7,595	8,392	8,887	8,489	
12	Sum of Lines 6 to 7	L 6 + L 7			78,563	64,480	71,678	
13	Sub-Total	L 11 + L 12	5,891	7,595	86,955	73,367	80,167	
14	Difference on CAT-1, Pg 33	L 10 - L 13	\$ 12,065	\$ 17,422	\$ 14,972	\$ 13,502	\$ 12,088	

Molokai Public Utilities, Inc.
Materials & Supplies
Test Year Ending June 30, 2010

		[1]	[2]	[3]
Line #	Description	Ref:	Total Per MPU 10.5	Total Per CA-IR-44 Detail
	<u>2008 M & S Expense</u>			
1	M & S - Water	610-00		\$ 43,723.80
2	M & S - Not Office	610-01		1,581.96
3	M & S - Chemical & Testing (Laboratory)	610-12		6,991.62
4	M & S - Chemical & Testing (YB Transport)	610-22		2,266.23
5	M & S - Chemical & Testing - Shipping	610-23		71.65
6	M & S - Chemical & Testing	610-30		3,109.53
7	M & S - Sodium Hypochloride	610-31		9,266.20
8	Total for 2008			<u>\$ 67,010.99</u>
9	Total Expense on MPU 10.5		<u>\$ 67,011.00</u>	
	<u>2007 M & S Expense</u>			
10	M & S - Water	610-00		\$ 44,582.34
11	M & S - Not Office	610-01		2,402.31
12	M & S - Chemical & Testing (Laboratory)	610-12		384.00
13	M & S - Chemical & Testing (YB Transport)	610-22		1,012.40
14	M & S - Chemical & Testing - Shipping	610-23		237.29
15	M & S - Chemical & Testing	610-30		383.92
16	M & S - Sodium Hypochloride	610-31		9,705.66
17	M & S - Magnafloc	610-33		1,509.16
18	Small Tools - Potable Water	611-00		160.71
19	Total for 2007			<u>\$ 60,377.79</u>
20	Total Expense on MPU 10.5		<u>\$ 60,378.00</u>	

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Molokai Public Utilities, Inc.
Historical Summary
Test Year Ending June 30, 2010

		[1]	[2]	[3]	[4]	[5]	[6]
Line #	Description	6/30/04	6/30/05	6/30/06	6/30/07	6/30/08	Test Year 6/30/10
Revenues							
1	Monthly Customer Charges	\$0	\$0	\$0	\$0	\$0	\$53,228
2	Customer Usage Charges	640,139	663,733	763,752	780,623	646,616	385,410
3	Other						
4	Sub-Total	640,139	663,733	763,752	780,623	646,616	438,638
5	Connection Fees						
6	Late Fees	529	888	960	1,201	1,003	1,200
7	TOTAL WATER REVENUES	\$640,668	\$664,621	\$764,712	\$781,824	\$647,619	\$439,838
Expenses							
8	Labor, Payroll Taxes & Employee Benefit	\$ 85,045	\$ 107,400	\$ 209,708	\$ 172,714	\$ 155,828	\$ 209,865
9	Fuel & Power Expense	250,731	342,449	491,344	604,556	664,000	513,591
10	Department of Agri - Rental/Service	136,497	136,497	136,497	142,897	130,096	144,456
11	Cost of Sales	75,763	53,347	238,425	234,426	247,190	0
12	Materials & Supplies	17,956	25,017	101,927	86,869	92,255	85,583
13		0	0	0	0	0	0
14	Affiliated Charges	9,976	9,600	9,600	9,968	9,745	9,600
15	Professional & Outside Services	20,216	10,541	4,011	4,427	19,314	14,137
16	Repairs & Maintenance	27,836	34,140	23,488	135,542	86,743	65,812
17		0	0	0	0	0	0
18	Insurance	15,191	17,800	28,141	21,803	13,015	13,000
19	Regulatory Expense						55,000
20	General & Administrative	5,871	5,360	12,170	13,178	13,981	13,318
21	Other	878	0	0	0	0	0
22	Taxes Other than Income Taxes	24,588	31,408	32,213	34,291	30,940	28,084
23	Depreciation	3,360	82,854	123,109	137,268	117,648	92,479
24	Amortization						
25	Income Taxes						
26	TOTAL EXPENSES	\$ 673,908	\$ 856,413	\$ 1,410,633	\$ 1,597,939	\$ 1,580,755	\$ 1,244,926
27	NET INCOME/(LOSS)	\$ (33,240)	\$ (191,792)	\$ (645,921)	\$ (816,115)	\$ (933,136)	\$ (805,088)

Exhibit MPU 10.1
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Molokai Public Utilities, Inc.
Labor, Payroll Taxes & Employee Benefits
Test Year Ending June 30, 2010

		[1]	[2]	[3]	[4]	[5]	[6]	[7]
Line #	Description	Ref:	6/30/04	6/30/05	6/30/06	6/30/07	6/30/08	Test Year 6/30/10
	Expenses							
1	<u>Salaries & Wages</u>							
2	Direct S&W		\$63,596	\$87,895	\$62,914	\$68,805	\$58,981	\$145,601
3								
4	S&W Charged Thru Cost of Sales				54,806	64,901	64,198	
5								
6								
7	Total S&W		63,596	87,895	117,720	133,706	123,179	145,601
	<u>Employee Benefits</u>							
8	Medical & Dental		5,015	4,610	7,372	10,596	9,377	38,156
9	Workers Compensation		9,252	6,608	41,251	6,036	5,057	11,935
10	TDI		451	545	563	203	231	799
11	Group Life		221	117	134	42	0	349
12	LTDI		226	231	236	190	90	772
13								
14	Benefits Charged Thru Cost of Sales				31,869	9,743	9,271	
15								
16	Total Employee Benefits		15,165	12,111	81,425	26,810	24,026	52,011
	<u>Payroll Taxes</u>							
17	FICA		4,859	5,986	4,801	5,298	3,080	11,138
18	FUTA		114	171	141	125	90	234
19	SUTA		1,311	1,237	914	915	257	881
20								
21	Payroll Tax Charged Thru Cost of Sales				4,707	5,860	5,196	
22	Total payroll taxes		6,284	7,394	10,563	12,198	8,623	12,253
23	Total PR Taxes & Benefits		21,449	19,505	91,988	39,008	32,649	64,264
24	Total All		\$ 85,045	\$ 107,400	\$ 209,708	\$ 172,714	\$ 155,828	\$ 209,865

Molokai Public Utilities, Inc.
Cost of Sales
Test Year Ending June 30, 2010

		[1]	[2]	[3]	[4]	[5]	[6]	[7]
Line #	Description	Ref:	6/30/04	6/30/05	6/30/06	6/30/07	6/30/08	Test Year 6/30/10
MPU Direct Expenses								
1	Chemicals & Testing		\$49,265	\$20,031	\$8,592	\$779	\$112	
2	Chemical Shipping		2,739	3,189	841			
3	Charge from Wailoa for MM				(11,909)			
4	Chemicals							
5	Sub-Total		52,004	23,220	(2,476)	779	112	0
MPL Charges for MPU - a/c # 610								
								[B]
6	Salaries & Wages	[A]	23,759	30,127	54,806	64,901	64,198	[a] Exh 10.1
7	Employee Benefits				31,868	9,743	9,271	Exh 10.1
8	Payroll Taxes				4,707	5,860	5,196	Exh 10.1
9	Electricity				40,636	60,499	66,047	Exh 10.2
10	Repair & Maintenance				9,938	8,992	13,040	Exh 10.9
11	Materials & Supplies				74,371	60,378	67,011	Exh 10.5
12	Vehicle Fuel				4,192	4,102	4,667	Exh 10.5
13	Insurance				10,873	8,424	5,028	Exh 10.11
14	Professional				2,675	1,923	3,875	Exh 10.8
15	Travel				2,123	2,608	5,754	Exh 10.13
16	Postage				1,655	3,172	1,180	Exh 10.13
17	Communications				1,923	1,828	1,306	Exh 10.13
18	Administrative				610	520	297	Exh 10.13
19	Other Charges				524	697	208	Exh 10.13
20	Sub-Total		23,759	30,127	240,901	233,647	247,078	0
21	TOTAL		\$75,763	\$53,347	\$238,425	\$234,426	\$247,190	\$0

[A] Charges incurred by MPL for MPU charged through account # 610. Charges stopped in December 2008

[B] Charges after December 2008 made directly to MPU and reflected on Exhibits Noted

Molokai Public Utilities, Inc.
Historical Summary
Test Year Ending June 30, 2010

		[1]	[2]	[3]	[4]	[5]	[6]
Line #	Description	6/30/04	6/30/05	6/30/06	6/30/07	6/30/08	Test Year 6/30/10
Revenues							
1	Monthly Customer Charges	\$0	\$0	\$0	\$0	\$0	\$53,228
2	Customer Usage Charges	640,139	663,733	763,752	780,623	646,616	385,410
3	Other						
4	Sub-Total	640,139	663,733	763,752	780,623	646,616	438,638
5	Connection Fees						
6	Late Fees	529	888	960	1,201	1,003	1,200
7	TOTAL WATER REVENUES	\$640,668	\$664,621	\$764,712	\$781,824	\$647,619	\$439,838
Expenses							
8	Labor, Payroll Taxes & Employee Benefit	\$ 85,045	\$ 107,400	\$ 209,708	\$ 172,714	\$ 155,828	\$ 209,865
9	Fuel & Power Expense	250,731	342,449	491,344	604,556	664,000	513,591
10	Department of Agri - Rental/Service	136,497	136,497	136,497	142,897	130,096	144,456
11	Cost of Sales	75,763	53,347	0	0	0	0
12	Materials & Supplies	17,956	25,017	101,927	86,869	92,255	85,583
13		0	0	0	0	0	0
14	Affiliated Charges	9,976	9,600	9,600	9,968	9,745	9,600
15	Professional & Outside Services	20,216	10,541	4,011	4,427	19,314	14,137
16	Repairs & Maintenance	27,836	34,140	23,488	135,542	86,743	65,812
17		0	0	0	0	0	0
18	Insurance	15,191	17,800	28,141	21,803	13,015	13,000
19	Regulatory Expense						55,000
20	General & Administrative	5,871	5,360	12,170	13,178	13,981	13,318
21	Other	878	0	0	0	0	0
22	Taxes Other than Income Taxes	24,588	31,408	32,213	34,291	30,940	28,084
23	Depreciation	3,360	82,854	123,109	137,268	117,648	92,479
24	Amortization						
25	Income Taxes						
26	TOTAL EXPENSES	\$ 673,908	\$ 856,413	\$ 1,172,208	\$ 1,363,513	\$ 1,333,565	\$ 1,244,926
27	NET INCOME/(LOSS)	\$ (33,240)	\$ (191,792)	\$ (407,496)	\$ (581,689)	\$ (685,946)	\$ (805,088)

Molokai Public Utilities, Inc.
 Total Expense Comparison
 Test Year Ending June 30, 2010
 2005 and 2006

Line #	Description	Line #	[1] Exhibit MPU 10		[2]	[3]
			Year Ended June 30,			
			2005	2006	Difference	
1	Fuel & Power Expense	9	\$ 342,449	\$ 491,344	\$	148,895
2	Depreciation	23	82,854	123,109		40,255
3	Labor, PR Taxes & Employee Benefits	8	107,400	209,708		102,308
4	Materials & Supplies	12	25,017	101,927		76,910
5	Sub Total		557,720	926,088		368,368
6	All Other Categories Except Cost of Sales		245,346	246,120		774
7	Total on Corrected MPU 10	P 4, L 26	803,066	1,172,208		369,142
8	Cost of Sales	11	53,347	238,425		185,078
9	Total on Exhibit MPU 10	P 1, L 26	\$ 856,413	\$ 1,410,633	\$	554,220

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Molokai Public Utilities, Inc.
 Total Expense Comparison
 Test Year Ending June 30, 2010
 2005 and 2006

Line #	Description	Line #	Exhibit MPU 10		Difference
			Year Ended June 30, 2005	2006	
1	Fuel & Power Expense	9	\$ 342,449	\$ 491,344	\$ 148,895
2	Depreciation	23	82,854	123,109	40,255
3	Labor, PR Taxes & Employee Benefits	8	107,400	209,708	102,308
4	Materials & Supplies	12	25,017	101,927	76,910
5	Sub Total		557,720	926,088	368,368
6	All Other Categories Except Cost of Sales		245,346	246,120	774
7	Total on Corrected MPU 10	P 4, L 26	803,066	1,172,208	369,142
8	Cost of Sales	11	53,347	238,425	185,078
9	Total on Exhibit MPU 10	P 1, L 26	<u>\$ 856,413</u>	<u>\$ 1,410,633</u>	<u>\$ 554,220</u>

Molokai Public Utilities, Inc.
Regulatory Expense
Test Year Ending June 30, 2010

Line #	Description	Ref:	Amount	Total
<u>PREPARATION AND FILING - Actual</u>				
1	Regulatory		\$43,879	
2	Legal		43,908	
3	Travel			
4	Other Non-Labor			
5	Sub-Total			87,787
<u>DISCOVERY - REVISED</u>				
<u>Actual to December 31, 2009</u>				
6	Regulatory		47,436	
7	Legal		112,972	
8	Travel			
9	Other Non-Labor			
10	Sub-Total			160,408
<u>REBUTTAL</u>				
<u>January Actual & Estimated February</u>				
11	Regulatory		18,823	
12	Legal		20,000	
13	Travel			
14	Other Non-Labor			
15	Sub-Total			38,823
<u>HEARING, BRIEFING AND INTERIM RATES</u>				
<u>Estimated to Completion</u>				
16	Regulatory		18,200	
17	Legal		40,000	
18	Travel		8,500	
19	Other Non-Labor			
20	Sub-Total			66,700
21	Audit Expense			23,665
22	TOTAL RATE CASE EXPENSE			\$377,383
23	Amortization Period			3
24	Annual Amortization Expense	L 22 / L 23		\$ 125,794
25	Included in origingal filing			55,000
26	Rebuttal Adjustment	L 24 - L 25		\$ 70,794

Molokai Public Utilities, Inc.
Regulatory Expense
Test Year Ending June 30, 2010

REGULATORY CHARGES

Line #	Description	[1] Ref:	[2] Amount	[3] Sub Total	[4] Total
<u>PREPARATION AND FILING - Actual</u>					
1	2008 -- March & April		\$8,724		
2	-- October		4,427		
3	-- November		521		
4	-- December		5,208		
5	2009 -- January		11,197		
6	-- February		9,375		
7	-- June		4,427		
8	Total Preparation & Filing				<u>\$ 43,879</u>
<u>DISCOVERY - REVISED</u>					
	Actual to December 31, 2009				
9	2009 -- September		10,417		
10	-- October		7,812		
11	-- November		14,583		
12	-- December		14,624		
13	Total Discovery				<u>\$ 47,436</u>
<u>REBUTTAL</u>					
	Actual January + Estimated February				
14	2010 -- January - Actual		8,073		
15	-- February - Estimated		10,750		
16	Total Rebuttal				<u>18,823</u>
<u>HEARING, BRIEFING AND RATES</u>					
	Estimated to Completion				
17	2010 -- March		7,800		
18	-- April		5,200		
19	-- May		-		
20	-- June		5,200		
21	Sub-Total			18,200	
22	Travel, Hotel and Expenses		3,000		
23	Other		500		
24	Sub-Total			3,500	
25	Total Hearing, Briefing & Rates				<u>\$ 21,700</u>
					<u>\$ 131,838</u>

Molokai Public Utilities, Inc.
Regulatory Expense
Test Year Ending June 30, 2010

LEGAL CHARGES

Line #	Description	[1] Ref:	[2] Amount	[3] Sub Total	[4] Total
<u>PREPARATION AND FILING - Actual</u>					
1	2008 -- March & April				
2	-- October				
3	-- November				
4	-- December				
5	2009 -- January				
6	-- February				
7	-- June		43,908		
8	Total Preparation & Filing				\$ 43,908
<u>DISCOVERY - REVISED</u>					
<u>Actual to October 31, 2009</u>					
9	2009 -- September				
10	-- October				
11	-- November				
	-- December		112,972		
12	Total Discovery				\$ 112,972
<u>REBUTTAL</u>					
<u>Estimated From January to February</u>					
13	2010 -- January				
14	-- February		20,000		
15	Total Rebuttal				20,000
<u>HEARING, BRIEFING AND INTERIM RATES</u>					
<u>Estimated to Completion</u>					
16	2010 -- March				
17	-- April				
18	-- May				
19	-- June		40,000		
20	Sub-Total			40,000	
21	Travel, Hotel and Expenses				
22	Other		5,000		
23	Sub-Total			5,000	
24	Total Hearing, Briefing & Rates				\$ 45,000
					\$ 221,880

Molokai Public Utilities, Inc.
Comparable Regulatory Expense
Test Year Ending June 30, 2010

Line #	Description	[1] Docket Number	[2] Preparation, Discovery/Settle/Rebuttal		[4] Hearing	[5] Total [3] + [4]
			Included in Application	Included in Settlement		
1	Hawaiian Beaches Water Company	2009-0161	\$ 139,600	\$ 139,600	\$ 40,000	\$ 179,600
2	Kapalua Water Company	2008-0325	\$ 164,000	\$ 164,000	\$ 38,000	\$ 202,000
3	Kohala Ranch Water Company	2008-0238	\$ 149,000	\$ 147,000	\$ 38,000	\$ 185,000
4	Kukio Sewer Company [A]	2007-0198	\$ 91,000	\$ 88,000	\$ 26,000	\$ 114,000
5	Kukio Water Company [A]	2007-0198	\$ 124,000	\$ 121,000	\$ 26,000	\$ 147,000
6	Molokai Water Company [B]	2009-0048	\$ 125,000		\$ 40,000	\$ 165,000
7	Wiamea Wastewater Company	2008-0261	\$ 129,000	\$ 131,635	\$ 33,000	\$ 164,635
8	Waiola O Molokai [C]	2009-0049	\$ 125,000		\$ 40,000	\$ 165,000
9	Average		\$ 130,825	\$ 131,873	\$ 35,125	\$ 166,998

[A] Total per case costs reduced -- Cases filed at same time

[B] Case still open - Active Intervention - Hearings expected

[C] Case still open - Hearings expected

Molokai Public Utilities, Inc.
Test Year Ending June 30, 2010
Summary Rebuttal Fujino

Line #	Description	[1] WMA Exhibit 302	[2] MPU Update of Exh 302	[3] MPU As Adjusted For Employees	[4] Difference
1	Personnel Charges	\$ 99,891	\$ 138,794	\$ 136,241	\$ 2,553
2	Payroll Taxes & Benefits	44,112	56,921	57,644	(723)
3	Total	<u>\$ 144,003</u>	<u>\$ 195,715</u>	<u>\$ 193,885</u>	<u>\$ 1,830</u>

COMPUTATION OF S&W, Taxes & Benefits

		Labor Hours	Rate Per Hour	MPU Update
	<u>Salaries & Wages</u>			
4	Field Personnel Charges	7,044		
5	Rate Per Hour	P 2, C 4, L 22	\$18.30	\$ 128,896
6	Office Staff	P 2, C 8, L 17		9,898
7	Total Payroll			<u>\$ 138,794</u>

Taxes & Benefits

8	Payroll Taxes & Benefits	7,044		
9	Benefit Rate Per Hour	P 2, C 11, L 9b	\$ 7.46	\$ 52,567
10	Office Staff - Workpaper MPU 10.1	P 2, C 11, L 16		4,354
11	Total Taxes & Benefits			<u>\$ 56,921</u>

Exhibit MPU-R-11

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Molokai Public Utilities, Inc.
 Test Year Ending June 30, 2010
 Salaries & Wages Expense

Workpaper MPU 10.1
 Docket No. 2009-0048
 Witness O'Brien
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		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]
Line #	Description	Factor Or Reference	Hourly Rate	# of Hours	ANNUAL Salary/Wage [2]*[3]	Percent Charged To			S & W Charged To		
						MPU	WOM	MOSCO	MPU [4]*[5]	WOM [4]*[6]	MOSCO [4]*[7]
Salaries & Wages - Year End 6/09											
1	Employee # 1		\$ 28.85	2080	\$ 60,008	45%	45%	10%	\$ 27,004	\$ 27,003	\$ 6,001
2	Employee # 2		\$ 17.31	2080	36,005	43%	45%	12%	15,482	16,202	4,321
3	Employee # 3		\$ 13.45	2080	27,976	45%	40%	15%	12,589	11,191	4,196
4	Employee # 4		\$ 13.05	2080	27,144	45%	45%	10%	12,215	12,215	2,714
5	Employee # 5		\$ 11.37	2080	23,650	95%	5%	0%	22,468	1,182	-
6	Employee # 6		\$ 22.60	2080	47,008	70%	20%	10%	32,906	9,401	4,701
7	Employee # 7		\$ 14.00	2080	29,120	33%	34%	33%	9,610	9,900	9,610
8	Total	L 1 to L 7			\$ 250,911				\$ 132,274	\$ 87,094	\$ 31,543
9	Percent Payroll To Company	.8 , C8, C9, C10 / C4							52.7%	34.7%	12.6%
Salaries & Wages - Year End 6/10											
10	Percent Wage Increase Effective 7/1/09		3.0%								
11	Employee # 1	C 2 , L 1 * L 32	\$ 29.72	2080	\$ 61,818	45%	45%	10%	\$ 27,818	\$ 27,818	\$ 6,182
12	Employee # 2	C 2 , L 2 * L 32	\$ 17.83	2080	37,086	43%	45%	12%	15,947	16,689	4,450
13	Employee # 3	C 2 , L 3 * L 32	\$ 13.85	2080	28,808	45%	40%	15%	12,964	11,523	4,321
14	Employee # 4	C 2 , L 4 * L 32	\$ 13.44	2080	27,955	45%	45%	10%	12,580	12,579	2,796
15	Employee # 5	C 2 , L 5 * L 32	\$ 11.71	2080	24,357	95%	5%	0%	23,139	1,218	-
16	Employee # 6	C 2 , L 6 * L 32	\$ 23.28	2080	48,422	70%	20%	10%	33,895	9,685	4,842
17	Employee # 7	C 2 , L 7 * L 32	\$ 14.42	2080	29,994	33%	34%	33%	9,898	10,198	9,898
18	Employee # 8					45%	40%	15%			
19	Total	Sum L 11 to L 18		14560	\$ 258,440				\$ 136,241	\$ 89,710	\$ 32,489
20	Employee # 7			(2080)	(29,994)						
21	total Field Employees			12480	228,446						
22	Rate Per Hour of Field Personnel				\$ 18.30						
23	Percent Payroll To Company	L819, C8, C9, C10 / C4			7,044				52.7%	34.7%	12.6%
					\$ 128,896						

Molokai Public Utilities, Inc.
Test Year Ending June 30, 2010

Workpaper MPU 10.1
Application Filed March 2009
Witness O'Brien
Page 3 of 4

Employee Benefit & Payroll Tax Expense

		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]
Line #	Description	Factor Or Reference	FICA	FUTA	SUI	Medical	Dental	Work Comp	TDI	LTDI	Group Life	Total
								[4] * [5]	[4] * [6]	[4] * [7]		
Employee Benefits - Year Ended 6-30-10												
1	Employee # 1		\$4,729.08	\$ 56.00	\$ 209.30	\$10,008.00	\$ 1,140.00	\$ 5,401.35	\$ 340.00	\$ 327.50	\$ 148.36	\$ 22,359.59
2	Employee # 2		2,837.08	56.00	209.30	6,672.00	756.00	3,240.39	203.97	196.48	89.01	14,260.22
3	Employee # 3		2,203.81	56.00	209.30	10,008.00	372.00	2,517.10	158.44	152.62	69.14	15,746.42
4	Employee # 4		2,138.56	56.00	209.30	10,008.00	372.00	2,442.57	153.75	148.10	67.09	15,595.37
5	Employee # 5		1,863.31	56.00	209.30	10,008.00	372.00	2,128.19	133.96	129.04	58.46	14,958.26
6	Employee # 6		3,704.28	56.00	209.30	3,336.00	372.00	4,230.87	266.32	256.53	116.21	12,547.52
7	Employee # 7		2,294.54	56.00	209.30	10,008.00	-	232.45	164.97	158.90	71.99	13,196.15
8	Employee # 8											
9	Total		<u>\$ 19,771</u>	<u>\$ 392</u>	<u>\$ 1,465</u>	<u>\$ 60,048</u>	<u>\$ 3,384</u>	<u>\$ 20,193</u>	<u>\$ 1,421</u>	<u>\$ 1,369</u>	<u>\$ 620</u>	<u>\$ 108,664</u>
9a	Hours after Removal of Employee # 8											<u>14,560</u>
9b	Rate for Benefits after removing Employee # 8											<u>\$ 7.46</u>

Distribution to MPU

10	Employee # 1	45%	2,128	25	94	4,504	513	2,431	153	147	67	10,062
11	Employee # 2	43%	1,220	24	90	2,869	325	1,393	88	84	38	6,131
12	Employee # 3	45%	992	25	94	4,504	167	1,133	71	69	31	7,086
13	Employee # 4	45%	962	25	94	4,504	167	1,099	69	67	30	7,017
14	Employee # 5	95%	1,770	53	199	9,508	353	2,022	127	123	56	14,211
15	Employee # 6	70%	2,593	39	147	2,335	260	2,962	186	180	81	8,783
16	Employee # 7	33%	757	18	69	3,303	-	77	54	52	24	4,354
17	Employee # 8	45%										
18	Total		<u>\$ 10,422</u>	<u>\$ 209</u>	<u>\$ 787</u>	<u>\$ 31,527</u>	<u>\$ 1,785</u>	<u>\$ 11,117</u>	<u>\$ 748</u>	<u>\$ 722</u>	<u>\$ 327</u>	<u>\$ 57,644</u>

Molokai Public Utilities, Inc.
Test Year Ending June 30, 2010
Field Time - Rebuttal Fujino

Line #	Description	[1] Factor Or Reference	[2] Number of Activities WMA 302	[3] # of Hours	[4] Extension [2] * [3]
1	Monthly Meter Reading		12	24	288
2	Monitor Tanks, Reservoirs, Pumps	2 Addl Hrs	250	4	1,000
3	Water Treatment Plant Operatons		250	8	2,000
4	Monitor Well # 17 Operations	1 Addl Hr	156	4	624
5	Well # 17 Maintenance		12	20	240
6	Facility & Vehicle Maintenance		52	8	416
7	Respond to Customer Calls		36	6	216
8	Leak Repairs Or Lateral Replacement		24	24	576
9	Supervision & Administration		52	4	208
10	Total Direct Labor				5,568
11	Contingencies at		15.0%		835
12	Total Direct & Contingencies				6,403
13	Paid Absence		10.0%		640
14	Total Labor in Man Hours				7,044
15					

CERTIFICATE OF SERVICE

I (we) hereby certify that copies of the foregoing document were duly served on the following parties, by having said copies delivered as set forth below:

MR. DEAN NISHINA Executive Director Department of Commerce and Consumer Affairs Division of Consumer Advocacy 335 Merchant Street, Suite 326 Honolulu, Hawaii 96813	3 copies Hand Deliver
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Attorney for MOLOKAI PROPERTIES LIMITED

DATED: Honolulu, Hawai'i, February 8, 2010.



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